THE
Freeman
IDEAS ON LIBERTY

FEBRUARY 1956

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THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York

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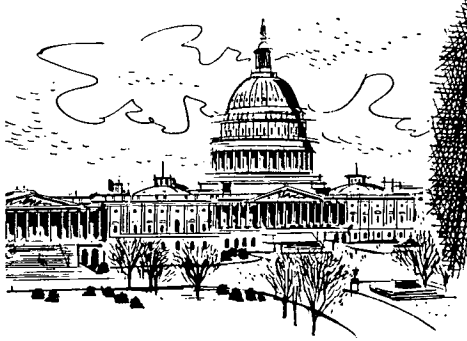
If you want to get and keep

GOVERNMENT OUT OF BUSINESS...



the
truth
about
Parcel Post
...how it has been abused for the private profit of a few -- at enormous loss to the American public.
These are the facts...
Reported P.P. deficits (1926-1954) $1,204,000,000

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The Hoover Commission, the Chamber of Commerce of the United States, the Transportation Association of America, and others are participating in efforts to reduce parcel post competition with private transportation enterprises. Opposed to these wisely conceived efforts are a relatively few business interests seeking taxpayer subsidies on their shipping costs—willing to compromise their beliefs in free enterprise for this special gain.

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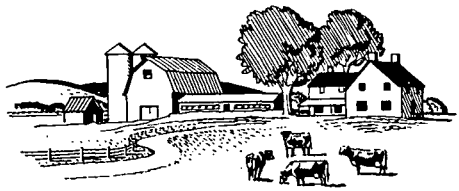
Free-Market Farming

An economic remedy for a political headache

W. M. Curtiss



AN ECONOMIST of national reputation once told me: "The trouble with agriculture is that it is a decadent business." This came as something of a shock to one who had been raised on a good Illinois farm, attended an agricultural college, operated a farm for a time, and who had dedicated his life to teaching and research in the field of agriculture. Isn't food the first essential to life? Haven't people, through the ages, given up almost everything else rather than go hungry? Then how could the production of food be a decadent occupation?

I think I know now what this economist meant, although I believe he chose an unfortunate word to describe what has happened to agriculture in this country. True, the proportion of the population engaged in farming has declined; but if decadence means retrogression or deterioration, then it simply doesn't fit.

The "farm problem" in varying stages of acuteness has been with us now for some 30 years. Not that farmers haven't had problems since the beginning of farming. But agriculture became clothed with the dignity of a national issue when the government began trying to do something to correct the plight of farmers. To a lesser extent, of course, the farm problem goes back to the Grange movement, the free silver question, the tariff issue, and others. But the farm problem as we think of it today had its origin with the Farm Bloc, the McNary-Haugen Bill, and the Federal Farm Board of the 1920's. Since then, so many things have been done to alleviate the farm problem that most of us are greatly confused about just what is going on in agriculture. Contributing to the confusion is the mixture of politics and economics until it is almost impossible to separate

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them. It is difficult to see the forest for the trees. Needed is a bird's-eye view of agriculture in relation to the whole economy.

Following the Revolutionary War, farmers made up 96 per cent of the population. It was subsistence farming. Practically every member of the family worked from sun to sun to produce the food, clothing, and shelter essential to a meager living. A small part of the farm production, in excess of the family requirements, could be traded with the few merchants in the villages for imported articles and some of the "luxuries" of life. Thus, at that time, farmers produced food and fiber primarily for themselves with just a little left over for a few nonfarmers.

This subsistence way of living was typical of most of the world before the industrial revolution and still exists in vast areas. Nearly half of the world's population lives in countries where about three-fourths of the workers are farmers. But in the United States today, instead of 96 per cent of the population, farm households make up less than 12 per cent of the total. Instead of a farm family producing barely enough food and fiber for its own needs, the typical modern farm yields enough for its own and eight other households.

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This increasing efficiency of agriculture has a very important bearing on the farm problem and on the economy in general.

THE CURRENT farm problem is said to be a matter of surpluses — some seven billion dollars worth of farm commodities which the government either owns or holds under loan. As a result of the careless use of the term "surplus," we are expected to believe that the farm problem exists because there are "too many farmers" or "farmers produce more than we need."

Actually, the surplus exists only because the government has tinkered with the market mechanism. Prices for commodities have been set above where a free market would set them; there is insufficient demand *at those prices* to move the available supply. As a result, stocks have accumulated.

We witnessed the same phenomenon, in reverse, in wartime. The government set prices on some commodities below where a free market would have placed them and an immediate "scarcity" arose. That forcible displacement of the market as a method of allocating commodities necessitated direct rationing or other forms of allocation.

In an economic sense, with a free market, the words "surplus" and "scarcity" simply do not exist. Only when the market is tampered with — when prices are set either too high or too low — do we find surpluses or scarcities. Unless we first recognize that the farm problem is basically a government-made pricing problem resulting from tinkering with the free market, then we are fairly certain to come up with a faulty solution.

One need cite only one example to show how government controls can raise havoc with a major segment of farm production. Before the last war, the United States exported about half of its cotton crop annually. Nearly one-fourth of the world's exports of cotton were supplied by this country. We have lost a substantial part of the world market because our prices were fixed by government above the world market price.

While thus arbitrarily withdrawing from world markets, we have directly stimulated cotton production elsewhere in the world. This has occurred in Mexico, Argentina, Turkey, and other nations, in part financed by United States government loans.

To make matters worse, this has come at a time of growing technology in the development of synthetic substitutes for cotton

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fibers. Such developments are praiseworthy and would no doubt have come in a free market, but they received an uneconomic stimulus because of cotton price-support programs.

A result of this fiasco is that we now find ourselves with excess carry-over equal to one year's crop of cotton in government warehouses. Aside from its economic consequences, this constitutes an international political football.

One could supply further illustrations with wheat and other products. For example, we have witnessed the per capita consumption of butter in this country cut in half in a few years. Many factors have contributed to the rise in the consumption of other edible fats but part of the blame must be laid at the door of government for pricing butter out of the reach of consumers and into government warehouses.

Some argue that farm "surpluses" are only a temporary thing and that with our population growing so rapidly, if we can just hold on for 10 or 20 years, our population will outrun production and surpluses will turn into scarcities. Such an argument is nonsense. The present so-called surplus production is merely an artificial situation arising because prices are arbitrarily set higher than the free market will bear. Even if the population doubled in ten years — with the present output of food — if prices were then set higher than the market, there would still be a surplus.

But farmers are not getting their "fair share" of the national income, some say, or they cannot afford to "live as they should," and we must do something to help them. Indeed the government has demanded of all taxpayers for nearly a century that they help farmers make two blades of grass grow where only one grew before. Tax funds have been used for farm research and education. Whether in spite of or because of these subsidies, farmers have become more efficient through better varieties, better breeds, better feeding, better cultural practices, and better mechanization. Compared with 25 years ago, 34 per cent fewer farmers, working fewer hours, are now producing 54 per cent more. Truly amazing! But now it is said that they are producing too well and something must be done about it.

WE SHOULD be proud of the increased efficiency of farmers, but such an accomplishment makes sense only if the market is left

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free to move this phenomenal production.

Suppose the framers of our Constitution had adopted the "parity" principle for farmers. Suppose they had set about to guarantee farmers their "fair share" of the national product. Had that happened, the chances are that 90 per cent of our population would still be farmers. Farm support programs tend to keep the inefficient farmers on the farm and to discourage their looking elsewhere for more useful employment.

The startling fact is that 7 per cent of our population now produces 90 per cent of our food and fiber — an accomplishment certainly not attributable to the various farm programs with which agriculture recently has been "blessed." The industrial revolution, marked in part by increasing farm efficiency, made it possible for farmers to decrease proportionately in numbers while industrial workers increased. Can you imagine an economy in this country today with 90 per cent of the workers on farms? Who would produce the automobiles, the transportation, the educational institutions, the doctors, the theaters, the fine homes, the recreation, and the arts? One could go on and on enumerating what we consider as making up the high standard of living we now enjoy. In an economy with nearly all the workers on farms, the standard of living can consist of little more than food, clothing, and shelter; and these only in meager amounts.

The solution of the farm problem depends on a free market for farm products. True, that would speed the exodus of farmers to other occupations — but to the benefit of all concerned. The high-cost producers of farm products would find they could improve their economic status by working elsewhere. And now is the best time for that shift. Historically, the greatest movement of families from the farm has come when jobs were plentiful in the villages and cities. Only in severely depressed times, such as the 1930's, has this movement been reversed. Who knows — the time may come when only one worker in 100 will be needed on the farm. But it cannot come if we continue to subsidize inefficient farmers.

Changing one's occupation is a highly individual problem and one which collective planning can only complicate and confuse. This is as true for farmers as for school teachers or grocery store operators. We all know persons who prefer remaining in an occupation even though they might do better

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economically by changing jobs. One often observes an elderly couple operating a farm years after it has ceased to be profitable. That should be their privilege if it is their individual decision and if others are not forced by governmental action to become partners with them. The rising generation of young people from such farms may find what appear to them to be better opportunities elsewhere.

A SIZEABLE group of persons concerned with the farm problem believe that agriculture must be "protected" or subsidized because of a powerful organized labor force or because industry is "protected." This group seems to believe that the solution to a little socialism is total socialism. They seem willing to set up a socialized agriculture just because the economy is not completely free elsewhere. As one writer stated: "It is an axiom of economic history that an unsubsidized business cannot compete with a subsidized one." That statement demands careful inspection.

Assume, for example, that labor is organized and able to command wages higher than would prevail in a free market. Assume that this results in higher priced tractors or trucks or other needed farm equipment. Assume that some items of a farmer's cost of production are higher than they would be otherwise because they are produced behind a tariff wall or some other trade restraint. Does this mean that farmers cannot meet these higher costs except as they receive guaranteed prices set above a free market or as they receive direct subsidies? Not at all!

If farmers' costs of production rise, *regardless of the reasons,* and incomes do not rise to offset them, then this is a signal to some of them to turn to a more profitable occupation. It may be a signal to others to try to produce more efficiently — to use more machinery, or more fertilizer, or expand their acreage or otherwise meet the rising costs.

People will buy food. They will pay as much as necessary to get what they need. This demand will bring out the needed production, assuring enough farmers a satisfactory price to produce it. This is not to say that all of the farmers will be perfectly happy with the situation; but those who feel most unhappy about it will turn elsewhere.

This is in no way a defense of labor monopolies, subsidies, or special privileges of any sort for any person or group. It is merely to say that a free agriculture *can*

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exist and prosper alongside these evils. The evil effects of "protected" industry and labor monopoly will be felt throughout the economy generally, but no more by farmers than by others.

SOME PERSONS worry that, with a free market for agricultural products, only the most efficient farmers can stay in business. Actually, 40 per cent of the present farms account for about 90 per cent of total sales of farm products. The remaining 60 per cent include many farms that are too small, or the operators lack sufficient capital or experience to be efficient in the modern ways of farming. These farms produce very little for sale and the owners are often part-time farmers. Last year, work off the farm accounted for nearly 6 billion dollars of a total net income of 20 billion dollars received by persons living on farms.

With the decentralization of industry — expansion into small cities and villages in rural areas — there never was a better time for persons living on farms to find profitable employment off the farm.

Suppose we revert to a free market for agricultural commodities. Wouldn't the change cause tremendous hardship? Of course, there would be problems for individual farmers. Some would find they could no longer remain farmers. But that process has been going on for decades and accounts for our economic progress. Admittedly, it would be difficult to correct mistakes that have been pyramiding for 30 years.

The growing efficiency of commercial farms develops in spite of recent government programs. With mechanization, family farms have increased in size by absorbing the less efficient farms around them. About one-third of all farms and tracts sold in the past year were bought for farm enlargement. This healthy trend can continue to the benefit of commercial farmers and consumers. Even the farmers who sell may benefit from finding more profitable employment elsewhere and from an improved economy generally. This is not a program to force small farmers off the land — of "plowing the farmer under." Far from it! It would merely give farmers the opportunity to decide for themselves, free from coercion, what course to take in their own best interest.

Trying to live with the present 7 billion dollars of "surplus" farm commodities is indeed a grave and staggering political problem. The government owns or holds under

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loan more than $10 worth of cotton for every inhabitant of the country. All surplus farm commodities amount to more than $40 worth for each person and about $1,400 worth for each farmer.

A SOBER conviction is spreading among thoughtful persons that the disposal of the surpluses on hand calls for economic rather than political action. The solution calls for transfer of these accumulated stocks to private ownership and control. The method is to allow prices to find the level the free market will bear. It seems likely that supplies in government stockpiles have quite as depressing an effect on market prices as though the goods had never been withdrawn from private ownership. Refusal to accept this fact serves merely to aggravate and prolong the farm problem.

To the extent that there is need for any of the surplus commodities now in government hands, enterprising private investors, including farmers, would be glad to purchase and hold these supplies. Competition between them would preclude anything like a total collapse of farm price structures should the government release its holdings.

Restoring the free market to farm products at a time of unprecedented industrial activity in this country would benefit nearly everyone. Taxpayers (and who isn't?) would avoid the staggering cost of purchasing and storing commodities; marginal and submarginal farmers would be induced to seek more profitable employment off the farm; commercial farmers could go back to producing for a market they know exists; and the entire economy could once more get back to a steadily rising productivity, beneficial to everyone.

For nearly 30 years, we have tried political schemes of all sorts to solve the farm problem. It is time to try a plan that we know will work — one that has been time tested over nearly a century and a half — a free market for agricultural products.

A Proven Failure

THE POLITICAL approach to the solution of farm problems is a proven failure. The way to improve farm income and farm prices is to reduce, not increase, government interference in the pricing and production of farm commodities.

CHARLES J. SHUMAN, President of the American Farm Bureau Federation, December 13, 1955

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The Single Plank Party

"YOU FELLOWS," say the interventionists, "don't know what you want. You are always against, never for, anything. And you are often in disagreement as to what you are against. Some of you are against tariffs; others are not. You all talk about the free economy and small government, but you never agree on what limits you would put on government powers and on what its function should be in a free economy. A few among you would go so far as to abolish public schools, which you call government schools, and there is a fraction among you who sound like nihilists. Why don't you libertarians get together on a common and positive program?"

Thus do our ideological opponents twit us for our lack of conformity and purposiveness. One could easily reply that conformity is characteristic of life in a prison where the inmates are united on the single purpose of getting out. Or, one could point out that the interventionists are not quite in agreement on the degree of interventionism they want, ranging from middle-of-the-road socialism to outright communism. But, while such rebuttal is good for debate, it fails to establish the very affirmative position of all libertarians, a position that is far more positive than that held by all socialists, except the ones who call themselves communists.

To put it succinctly, the libertarians, no matter how much they may differ on the details of attainment or on the minutiae of doctrine, are all *for* freedom. What can be more positive than that? The differences that arise among libertarians stem from the barriers to freedom that have been erected by the interventionists; a few of us would throw caution to the winds and tear these barriers down without further ado; but most of us recognize that the cure, in the short run, might be worse than the disease, and are willing to contend for position

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after position. We will take states' rights, for instance, not because that is in itself a guarantee of freedom, since the individual states can do all the socialistic things the federal government can do, but because state governments are restrained from going too far by the fear of emigration to other states. We are for any reduction in taxes, no matter how small, and no matter which segment of society is favored, simply because we know that the degree of interventionism is determined by the revenues of the government. Some of us may take a position on current issues as a matter of tactics, even if that seems to entail a compromise of principle; but the ultimate goal of freedom is never lost sight of by any libertarian worth his salt.

The singleness of purpose among libertarians is underlined by their theme: free enterprise and limited government. While this seems to be a double plank in the platform, the fact is that it is really one. A government of strictly delimited powers is unable to do much in the way of interventionism. If our government were under restraint of the Constitution, as originally conceived, especially as to its power of taxation, it could not engage in enterprises in direct competition with private companies; it could not interfere with the price mechanism; it could not rear giant monopolies and grant many privileges to special groups. Thus, it is a redundancy to speak of the free market and limited government. Given a limited government, the free market, which is in the nature of things, would follow as a matter of course. It is the regulated market that needs strong government.

Limited government — a government confined to the primary function of protecting life and property — is the one and only plank in the platform of libertarianism. And it is one that equates perfectly with the ideal of freedom, which all libertarians are *for*. Can the socialists claim such singleness and positiveness of purpose? That which is described as negativeness is simply our opposition to the investment of government with more and more power, and the consequent degradation of the individual to a condition of servitude. But we certainly know what we want — freedom to act as we please, creatively.

* * *

Merchants in Mass Murder

WHAT IS THE CAUSE of war? There have been a number of answers to that question, but the one that comes to mind as we read the

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current newspapers is the answer that was widely accepted as final and irrefutable only a few years ago. War is caused, said these diagnosticians, by the profit motive; by implication, the whole capitalistic system is to blame. This verdict was spelled out in great detail in a book that was a "best seller" in the early part of the century. It was entitled *War What For,* and its socialistic burden was that profit-hungry munition makers were back of every international conflict.

We now find that the USSR, a socialist country, is supplying arms to Egypt, while a capitalistic country, the U. S., is either selling or giving munitions to a rival nation, Israel. It is not quite clear from the newspaper dispatches just what is going on, sales or gifts, but it is a certainty that the agents in these operations are not private citizens prowling for profits; they are governments, ostensibly looking after the interests of their respective nationals.

The question as to the cause of war is therefore reopened. The socialistic answer is definitely disproven. It would seem from recent developments that the answer lies somewhere in the field of politics, that the natural habitat of the seed of war is the political establishment.

Inviolate Private Property

NOT EVERYTHING you have may be seized by the government. There are some things that the tax collector is restrained from appropriating if you fail to pay your taxes. In Section 64 of the Internal Revenue Code of 1954, you are told what specific items of property are held to be inviolate, as follows:

(a) Enumeration — There shall be exempt from levy —

(1) *Wearing Apparel and Schoolbooks* — Such items of wearing apparel and such school books as are necessary for the taxpayer or for members of his family;

(2) *Fuel, Provisions, Furniture, and Personal Effects*—If the taxpayer is the head of a family, so much of the fuel, provisions, furniture, and personal effects in his household, and of the arms for personal use, livestock, and poultry of the taxpayer, as does not exceed $500 in value;

3) *Books and Tools of a Trade, Business or Profession* — So many of the books and tools necessary for the trade, business, or profession of the taxpayer as do not exceed in the aggregate $250 in value.

Subsection (b) tells how the of-

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ficer "seizing property of the type described in subsection (a) shall appraise and set aside to the owner the amount of such property declared to be exempt." The owner may appeal the evaluation. Then follows the statement which spells out the prior lien of the government on all other property:

(c) No Other Property Exempt — Notwithstanding any other law of the United States, no property or rights to property shall be exempt from levy other than the property specifically made exempt by subsection (a).

There is no guarantee that these exemptions cannot be canceled out. The government that sets the limits on its own right of seizure may withdraw these limits; it has the power to do so.

* * *

New Meanings in Old Words

IN A RECENT editorial (on the departure of Clement Attlee from leadership of the Labor Party) the *New York Times* infers that the Welfare State is not inconsistent with "democracy and freedom." This calls for some tall thinking in the field of philology, modern style.

The Welfare State is a political organization which undertakes to look after the material (and, inferentially, the cultural) welfare of its subjects. They become its wards. To carry out its guardianship, the political organization must be possessed of distributable wealth. Since it has none of its own, and has no competence as a producer of wealth, it must have power to confiscate whatever is produced within the area over which it exercises control. Admittedly, the wealth to be distributed is the result of effort expended by the wards themselves, and the distribution is to be made by the political organization according to a formula it considers equitable. But this negates any prerogative the producer may claim in either his labor or the product of his labor; for, if the individual is to exercise any such prerogative, in the choice of occupation or in the private enjoyment of his output, the welfare program would be vitiated.

In short, the Welfare State rests on the proposition that the individual has no absolute right in private property or, as a consequence, in the pursuit of happiness. He is not a self-operating and self-satisfying person, but only a replaceable accessory of the mass machine, of which the State is the controlling factor; he is not an entity in himself, but rather a drop in the mass. "Democracy" is

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the name now given to this mass machine, and "freedom" is the condition of wardship enjoyed by its component parts. The words are old, but the meanings are new.

* * *

When Uncle Sam Insures You

NEW ENGLAND governors are urging the federal government to go into the flood insurance business. If they go after it strenuously (and enlist the support of the governor of every state that has a brook), they will achieve their purpose; for, because of the way federal "insurance" operates, the bureaucrats in Washington are always in favor of any such project.

Like social security "insurance," or veteran's "insurance," that proposed by the governors would be accompanied with taxes. The propaganda would call these taxes "premiums"; but the fact is that these payments would be dropped into the general coffers of the Treasury where the money would be available for any and all government expenses. It would be spent with the usual alacrity. Then the government would set up a "reserve fund," consisting of its own bonds in an amount equal to the flood "insurance" tax receipts. The interest on these bonds — which comes from new taxes — would be used to pay losses; if this interest should not be enough to indemnify the "insured," some of the "reserve" would be liquidated. In short, any government "insurance" project is merely a new way of collecting taxes.

* * *

End Result of Political Unionism

NEWS THAT the new Argentine government has seized the headquarters of the General Confederation of Labor should give pause to the politically minded leaders of the AFL-CIO. Peron came to power by the support of the GCL. The pay-off, of course, was the granting of special privileges to the leaders of the organization. The cost of these privileges, plus the rulers' personal loot, was borne by the taxpayers. But, when Juan was kicked out by the military, the GCL lost its position as a prime political factor and there was no need to coddle its leaders. Their day is done, proving that the strong government our own labor leaders aim to erect may boomerang and leave them in a most unenviable position. Meanwhile, the dues-paying workers, the "shirtless ones," are just where they always are under political conditions: they get wages for work performed — and pay taxes.

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BLACK Magic

E. A. Opitz

EVERY individual tries to economize his energies by satisfying his needs and desires with a minimum of effort — within the limits of his ethical code.

The urge to achieve better results with less effort accounts for all inventions, including that most fundamental of all labor-saving devices, the market — a name given to the basic human institution which permits division of labor, specialization, and the exchange of goods and services. Human achievement in fields of religion, art, knowledge, and science is possible to the degree that man finds ways to do what he does best and then trades the result for the specialties of other men.

Thus each man draws upon the specialized output of every other man as the most efficient way of meeting his own varied needs. The market process conserves energy; and if this surplus energy is used creatively, civilization is a by-product of it.

This same tendency to minimize effort drives many persons to practice a kind of black magic; they seek to control other people by means of the political agency and thus obtain economic goods without working for them. That is to say, they regard their fellows as natural hosts for their parasitic or predatory tactics. Instead of satisfying their wants through their own productive efforts, they expropriate the property of others.

Robbery is a labor-saving device for a few, though it has its obvious limitations. Accumulation is necessary before there is even a temptation to rob. And there is no accumulation unless men have access to the primary labor-saving device, the market. Without a market, if such a situation could be imagined, men would live a hand to mouth existence and nothing would be left over to steal.

Some men have employed robbery as a labor saver ever since the dawn of history. They so em-

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ploy it today. Men are prompted to steal by a perversion of the same good impulse to conserve energy which leads them to invent other labor-saving devices. But good impulses, if they are not to go astray, need to be harnessed to good ethics and good sense.

The robber, once established in his profession, feels the pull of progress and yearns to streamline his methods, just like the forward-looking members of the more respectable trades. He does not contemplate anything like personal reformation. To work for what he wants instead of hijacking the fruits of others' labor would stain the professional honor. But with the general refinement of moral values, barefaced robbery comes into conflict with the code of the tribe — and also runs up against the group's constabulary. For it is just as natural for the producer to police the routes of trade as it is for the nonproducer to raid them. With the constabulary in action, the independent robber has to use so much energy defending himself against the hostility his acts arouse that robbery ceases to be a labor-saving expedient.

PROFESSIONAL robbery was in danger of becoming a lost art, but the primordial human urge to get maximum return for minimum effort gave it new life by legalizing it.

In order to restore robbery's labor-saving advantages, the predator and parasite had to effect an alliance with the constabulary. They went about this by setting up a political agency composed of two partners: those who hold public office and control the apparatus of coercion, and those private citizens who appear to benefit by the exercise of political power. The seeming benefits in this arrangement are material; they consist of special privileges—political grants to some at the expense of others. All are taxed; a few are subsidized. The political racketeer sells "protection" to the producers who are his victims, promising that they won't be robbed by foreigners, nor by natives other than himself, and then only at regular intervals. As part of the deal, the victims are given back a tiny fraction of what they have given up, in the form of "public benefits."

These "public benefits" seem to appear as if by magic, black magic. In the eyes of many people, political alchemy does what the philosopher's stone could not do; it waves a wand and housing developments, dams, and power plants appear; it waves a contract, and lo, an industry is built on it; it utters the incantation, "parity," and

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the country is buried under eggs, wheat, potatoes, and butter. If this is not black magic, what is it?

It has all the outward signs of magic or legerdemain. And the art of legerdemain, as Houdini used to say, is nine-tenths distraction — the rest is mere jugglery. The hand is not quicker than the eye; unless the hand can palm the card during the instant when the eye is elsewhere, the illusion fails.

The same is true of contemporary political acivities. As long as the public can be kept distracted by having its eyes glued to the latest political marvel — a dam, a federal housing project, or whatever — the real political game goes on, just as it has since time began. The things which go unnoticed are artful elaborations of the primitive labor-saving device of robbery. What is seen is the new housing or hydro-electric project; not seen is the clothing, food, education, or whatnot that citizens would be enjoying now if their means of obtaining them had not been taxed away for political handouts.

The political action which results in a dam or a pyramid or an office building is not the creation of wealth out of nothing by political alchemy; to the contrary. Such action directs attention away from the incalculable loss of wealth which it necessarily entails. The arithmetical sum of all monies taxed away from producers is a poor measure of this loss, for two reasons. In the first place, a huge percentage of the total is consumed by the partners of this political agency in nonproductive ways. And secondly, if all personal earnings were put to creative use through voluntary exchange — instead of being drained off into pyramid-building or its equivalent —the increase in the total amount of wealth available for distribution would be enormous.

MEN ARE NOT angels; their actions will always deviate to some extent from their principles. But this is no excuse for erecting the deviations from principle into a solemn high philosophy of society. The natural impulse to satisfy desires along the line of least resistance leads some people into efforts to get something for nothing —which is what black magic really is. But the kind of a universe we live in will not long deliver if it is approached on these terms. Black magic may appear to work for a time, but there is a natural balance in things which assures that they will not be mismanaged long. Nature will not tolerate disorder; God is not mocked.

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WHITE *Magic*

Leonard E. Read

EACH person tends to satisfy his desires along the lines of least resistance. Those who really believe outright thievery or spoliation (political plunder) to be immoral are thereby bound to reject such so-called easy means to their ends. Why? They recognize that any injustice done others will backfire. To condone injustice is to endorse an evil principle — as applicable to oneself as to others — and such a system adds to the difficulty of all.

These persons with their moral scruples have *not*, however, cut themselves off from their daily bread but, on the contrary, have found that strict adherence to justice and good morals is the easiest way to satisfy basic needs. They have come upon one of the most remarkable material phenomena in all history, a veritable white magic: *Simply leave everybody free to act creatively and in no way inhibit their exchanges!* They have found this to be the line of least resistance, the manner of satisfying their desires with the most economical use of their own energies. They have discovered an intelligence.

Example: A 1955 dishwasher! Not one person on earth possesses enough knowledge to make one, yet we possess them by the millions. If this isn't magic, what then can magic be?

To fully appreciate the efficacy of white magic in the economic area, one needs but turn the clock back to the beginning of the century, cast oneself in that period, and pose several simple questions:

1. Given a description of the performance and style of a 1955 car, how would I go about making it a reality?
2. What if someone were to give me the commission of developing a gadget that would carry the human voice in a fraction of a second over the face of the earth? Could I deliver?
3. Suppose travelers of the future were to say, "Build a winged thing that will transport more than 100 passengers from Seattle to Washington, D. C., in

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less than four hours." Could I meet the challenge?

4. A voice from the 1950's speaks: "We are the airlines of the world. Figure out how a man on the ground can identify our planes in the air — through darkness, fog, rain, sleet, snow — speak to their pilots ten or twenty miles away, tell them precisely where they are, and guide them to a runway with a tolerance of ten feet." What would I answer?
5. Families in millions of homes ask, "Can you perfect an instrument that will permit us in our living rooms to witness a presidential inauguration or a football game or a stage performance while it is going on?"
6. Can the human voice be amplified by power from the sun? How are we to minimize the ravages of pneumonia? Can clothing be made from sand?

The questions could be endless. And the answers by any one person, in 1900, or at any later time, would have been substantially the same, "I do not know. I cannot deliver. This that you ask is beyond my power."

No one of the above accomplishments, all commonplace today, resulted from the ingenuity of any single person. All of these and numberless similar advances came about in a better climate of freedom than existed elsewhere — and they came as if by magic. The telephone is a good example of this miracle. Pick up the receiver and instantly there flow to one's services the creative energies of Alexander Graham Bell, of tens of thousands of scientists, engineers, metallurgists, technicians, linemen, operators, miners, woodsmen, and countless others — creative energies flowing and exchanging through space and time to the waving of one's own wand — that one may communicate with whomever one pleases across the nation in a matter of seconds!

Why does this qualify as white magic? Because of the unimaginable results that flow from leaving all others free to act creatively as they please and to exchange their insights or their thoughts or their products with whomever they choose. This market process of *reciprocity* and *mutuality* affords each person a vested interest in seeing that others are unmolested and unhandicapped, that no one minds anyone else's business, and that society's legal apparatus is confined to the inhibition of destructive energies.

White magic? I, for instance, devote myself to writing and talking. Yet, I am able to exchange my services for food, shelter, heat,

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clothing, transportation, literature — a daily and miraculous abundance that could not be produced by me in thousands of years. Imagine one person, doing so little, yet being able to obtain in willing exchange the services of millions of people! White magic literally serves as a means to higher ends by freeing me from the arduous confinement of wholly waiting on myself.

The alchemist's dream of turning lead to gold? It is as nothing. So far has this white magic advanced that the production of diamonds synthetically scarcely received a press notice.

It has long been known that any general upgrading of ideas and insights—things of the intellect and spirit — requires freedom of thought and expression, freedom to create and to exchange. Apply the same principle to goods and services and "Presto! As much abundance as is possible for any given society."

Force and Violence

ONE MEASURE of the maturity of human relationships is the degree to which force and coercion are minimized, suppressed, and avoided. Tyranny reigned supreme over most of mankind throughout history — tyranny of the prince, the lord, the king, including the husband over the wife and the family . . .

The idea of cooperation by voluntary consent has grown slowly. But in most phases of human life and human relationships it has replaced tyranny, coercion, and violence . . .

When the businessman sells, he faces a voluntary buyer. He aims to satisfy the consumer. When he buys raw materials, fuel, containers, or parts, he picks and chooses, he evaluates, he weighs. *There is no coercion. There is free choice.*

The ideal in all human relations is free choice — the mark of maturity.

Economic Intelligence, June 1955. Chamber of Commerce of the United States

IT MAY be argued, and frequently is, that free competition is a ruthless and cruel process. But it is not nearly so ruthless and cruel as the opposite philosophy, which down through the ages has kept the majority of people ill-fed, ill-housed, ill-clothed, burdened with crushing taxation, embroiled in war, and dying of famine and pestilence.

CHARLES R. SLIGH, JR., President of Sligh Furniture Companies

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The Fourth Dimension

Henry Hazlitt

WE are heading into our twenty-third deficit in the last twenty-six years. In the richest and most productive year in our history, with the most onerous taxation we have known until this decade, our federal revenue still does not equal our federal spending. That spending now runs to about $64 billion a year — 20 times the rate at which we were spending, say, in 1928. Yet the Administration professes helplessly that it cannot cut this down. It is not merely defense but nondefense spending that is at record levels. From a hundred directions come demands for more funds — for grandiose highway programs, federal aid to schools, flood control, more social security, more aid to the farmers, more foreign aid. And so on and on.

It now seems futile to criticize any specific spending program. For a general delusion has taken hold of the overwhelming majority of our Washington rulers. This delusion has been given what seems to me its most appropriate name by the European economist, Wilhelm Roepke. "When demanding assistance from the State," he wrote, "people forget that it is a demand upon the other citizens merely passed on through the government, but believe they are making a demand upon a sort of *Fourth Dimension* which is supposed to be able to supply the wants of all and sundry to their hearts' content without any individual person having to bear the burden."

This name for the delusion is comparatively new. But the delusion itself, and correct descriptions of it, are very old. "The state," wrote the French economist, Frederic Bastiat, a century ago, "is the great fiction through which everyone attempts to live at the expense of everyone else." And in 1842 Macaulay declared: "It is supposed by many that our rulers possess, somewhere or other, an inexhaustible storehouse of all the necessaries and conveniences of life, and, from mere hardheartedness, refuse to distribute the contents of this magazine among the poor."

This delusion thrives today as never before. Every morning our newspapers report statements that the government has not yet begun to meet our highway needs, our education needs, our farm-support

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needs, our hospitalization and health needs, and a thousand other "needs." The tacit assumption is always that an increase in government spending will meet more of our total needs than were met before. But this comes from overlooking the obvious fact that the government has not a dollar to spend on anybody that it does not take from somebody else. When a pressure group says, "We demand that the government should pay for us," it is really saying, "We demand that other people should pay for us."

The net result of this process is that instead of meeting more of the people's needs than otherwise, we actually meet fewer. This is true for several reasons. In 1829, the poet Robert Southey (who was a New Dealer a century before Franklin D. Roosevelt and a Keynesian a century before Keynes) wrote that a "liberal expenditure in national (public) works" was "one of the surest means of promoting national prosperity." Macaulay pointed out in a blistering retort some reasons why public spending is usually less needful and more wasteful than private spending.

We may add other reasons. For every additional dollar that the government spends, the taxpayers have one dollar less to spend. The situation is worse than this. Taxation erodes the incentives to produce and earn. It penalizes success and the production of marketable products, often in order to subsidize continued production of unmarketable products. It sets up an army of taxgatherers, taking them from more productive work. In the end it meets fewer real needs than before. People spend the money they themselves earn on what they themselves really want. The government spends money, not on what the rest of us want, but on what our paternalistic bureaucrats think is good for us.

The delusion of an economic Fourth Dimension flourishes not merely through stupidity, but because there is now an enormous vested interest in keeping it alive.

Newsweek, November 28, 1955

ADDITIONAL problems initiated and intensified by each new law almost always exceed the problem which the law was designed to alleviate in the first place. This could continue until the taxpayer is extinguished and the government is in complete control. It has happened several times before in history.

W. C. MULLENDORE, *How Government Grows*

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If There Were No Capitalism

William Henry Chamberlin

"IF there were no God it would be necessary to invent Him." Thus the witty and skeptical Voltaire's phrase could also be applied to the economic system known as capitalism, often buried with much pomp and circumstance by communist, socialist, and assorted left wing theorists, but so resilient that it will most probably outlive the memory of most of its critics.

It is a familiar theory among collectivists on both sides of the Atlantic that capitalism is a luxury which only a rich country like the United States can afford. Advocates of this theory usually leave in obscurity the question of how America became rich in the first place. They simply assert dogmatically that poor countries can become rich only by following roads with signposts pointing to communism or socialism.

This line of thought was once being expounded by the late Harold Laski, one of the most persuasive of British Laborite spellbinders. It was very neatly punctured by William Yandell Elliott, one of Harvard's few outspokenly conservative professors.

"Isn't it a boon to the collectivist economies of Europe," said professor Elliott, "that there is an individualist economy in the United States with enough surplus wealth to cover all their deficits and give them an annual subsidy of several billion dollars a year?"

Laski was normally quick and nimble in the cut-and-thrust of debate. But that question left him gasping for air. There simply was no convincing retort.

Now the question as to which economic system an impoverished nation, struggling for recovery, can best afford has been put to a decisive test in Europe. The war which ended ten years ago left behind an unprecedented amount of physical destruction because of the indiscriminate use of bombing against cities. Vast areas of large cities were turned into wastelands of shapeless rubble. Factories, port installations, railway stations were special targets of attack.

An outlook that was already bleak was made still darker by the

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rancorous spirit of the Morgenthau Plan which seriously affected American occupation policy in the first postwar years. With the contemplated dismantling of industrial plants and the forbidding of some industries and the severe limitation placed on the output of others there seemed every likelihood that Germany would be reduced to a vast slum in the heart of Europe, dragging down the rest of the continent in its poverty and destitution.

EUROPE in 1955 looks like another planet. The scope and depth and sweep of the recovery have confounded the prophets of gloom and doom, who seemed to have only too many arguments on their side ten years ago. Germany today is quite unrecognizable.

When I visited Munich for the first time after the war, in 1946, the city was so wrecked by bombing that one could hardly make out the shape and direction of the principal streets. The physical restoration in Munich now is little short of miraculous, even though many beautiful medieval and baroque buildings have perished forever. And it is the same story in Frankfurt, in Hamburg, in all the cities and towns of West Germany. The old episcopal town of Wurzburg, up the river Main, east of Frankfurt, was so completely destroyed by war bombings that it was called "the grave on the Main." It was proposed to rebuild the town on a new site. Now there are almost as many dwellings in Wurzburg as there were before the war. And the city has remained where it was.

"It is remarkable how fastidious people are becoming," said a Frankfurt banker. "In the last years of the war and the first years of the occupation they were glad to get coarse bread and potatoes. Now they shop around, discussing whether Spanish olives or California olives are better."

Only a few years ago the new German mark, created out of thin air by fiat of the occupation powers and without gold backing, sold at a 40 per cent discount on the Swiss free market. Now the mark is backed by some three billion dollars of gold and dollar reserves and travelers may freely bring the mark into Germany and take it out. It has become one of the hardest currencies in Europe.

Submerged by a tidal wave of refugees and expellees, people who had fled from their homes or been driven from their homes in the eastern provinces of Germany (now annexed by Poland and the Soviet Union), in the Sudeten area of Czechoslovakia, and in

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other German settlements in Eastern Europe, it seemed that the Federal Republic might face permanent heavy unemployment. But unemployment has now been reduced to a minimum of a few hundred thousand, in a population of fifty million. In the booming Ruhr, industrial heart of Germany, there is a shortage of skilled labor.

Germany is now building new housing units at the rate of 550,000 a year, more than any other country except the United States. Wherever there are ruins — remains of war bombing—bulldozers and other wrecking apparatus are apt to be on the spot, clearing the ground for new building.

It would be inaccurate to convey the impression that Germany has been transformed into an earthly paradise. The social and economic wounds of the war are deep and some can be healed only after many years. Although Germany gives the impression of working at a feverish pace, there are many old people, widows, war cripples who must eke out a living on small pensions. In spite of the pace of building, housing is still very short; several years will be needed before the war destruction can be fully made up, to say nothing of providing for the needs of a larger population.

But what has been achieved, measured against the bleak background of the end of the war, is nothing short of miraculous. The average German with whom one talks recognizes this. The German voters placed their stamp of approval on what has been done when they gave Chancellor Adenauer a decisive majority over the Social Democratic opposition in the election of 1953.

THERE ARE two points of special interest about this German recovery. First, it has been a triumph for the ideas of capitalism, for the free market economy over socialistic planning. The man most identified with economic policy since the German recovery began is chubby dynamic Minister of Economics, Ludwig Erhard, a passionate believer in the ideal of the competitive free market economy which he defends with equal energy against collectivist planners, rapacious trade unionists, and monopoly-minded businessmen.

It required no small amount of courage and determination to make the big wager on economic freedom at the beginning of the German economic revival, in 1948. There had been nothing like a free economy in Germany in fifteen years. Social Democrats at home, New Dealers in the American and Laborites in the British occupa-

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tion administration raised warning voices against the prospective dire consequences of a scrapping of wage and price controls. But these controls and many others were scrapped and Erhard went on to throw German markets open to foreign goods, luxuries as well as necessities.

Sitting in his office in the Ministry of Economics, puffing endlessly on Cuban cigars, one of the fruits of his trade liberalization, Erhard briefly outlined in a talk with me last summer the main lines of Germany's recovery and the prospects for the future:

"My first concern was to restore competition, the urge and the incentive to work. Foreign goods appearing on the market were a spur to German manufacturers to produce more efficiently. Freer trade meant more goods in shop windows, more for people to buy with the new money. And I was sure that the more we bought the more we could and would sell. It seemed to many a risky thing to bet on economic freedom. But the bet has been won.

"Now we would like to see the widest possible convertibility of currencies. We have already dropped most restrictions on the use of the mark, and we are ready to make it fully convertible as soon as Great Britain takes the same step with the pound. Of course, convertibility begins at home. A currency must be sound, with the water squeezed out, before it can stand the test. And there must be some unity of aim and purpose before convertibility or more ambitious forms of 'integrating' national economies will work successfully. One cannot merge a free with a planned economy, any more than one can mix oil with water."

THE SECOND POINT worth noting about the economic revival in West Germany is the tremendous object lesson which it offers in the relative merits of individualism and collectivism, when compared with what has happened in what is officially called the German Democratic Republic. This is the dictatorial socialist-communist regime installed by force in the Soviet Zone.

Soviet Foreign Minister Molotov at Geneva expressed much solicitude about maintaining "the social and economic accomplishments" of the workers in the Soviet Zone. But the effect of these "accomplishments" has been to induce over two million people, sometimes at the risk of their lives, and always at the price of losing all their possessions except what they could carry with them, to flee to West Germany during

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the last ten years. To start from scratch in the overcrowded Federal Republic, where housing is a desperate problem, looked better to this host of fugitives than to endure life under Soviet conditions of political tyranny and economic rationing and other hardships. I have traveled extensively in West Germany on several trips since the end of the war, and I have yet to meet one German who had a favorable impression of conditions in the Soviet Zone.

On my most recent trip, last summer, I found myself on a train bound for the Soviet Zone. In my compartment was a forester with his wife and child, returning to his home in the East after a holiday in the West. To a question of how the two regions compared he replied: "Like day and night." He went on to emphasize the vastly greater quantity and better quality of goods available in the West, the fact that most workers could buy motorcycles and some automobiles, and the freedom from fear and espionage. He was returning to the East himself, he said, only because he hadn't been able to find housing in the West.

What makes this German informal plebiscite especially impressive is that here two sundered groups of the same people, with the same former standard of material well-being and education, have been living for a decade under two contrasting social and economic systems. The result: a difference "as great as day and night" and a mass migration, that at times has almost assumed the proportions of a stampede from East to West.

IT IS NOT only in Germany that capitalism has proved itself a dynamic motor of economic recovery and progress. In one European country after another one finds that the pace and vigor and promise of the general economic revival (Europe outside the Iron Curtain is today far and away more prosperous than at any time since the war) has been in clear and direct proportion to the degree to which such socialist measures as rationing, "fair shares" (which are always very low shares), rigid planning, and artificially cheap money have given way to reliance on the free market, flexible interest rates, and liberalization of international trade.

The case of Austria deserves special mention. Here living conditions are better than they were between the two wars, better than they have been since the dim, far-off days when Vienna was the capital of an empire with fifty million inhabitants, not of a little moun-

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tain republic with seven million.

Much of the credit for Austria's present ability to remove currency restrictions and straighten out the chronic deficit in its balance of international payments belongs to the old-fashioned economic medicine prescribed and administered by Dr. Reinhard Kamitz, Minister of Finance. It was a popular theory in American foreign aid administration circles that Austria could never pay its way, that some means would have to be found to continue subsidies even when grants to other countries were terminated.

Then Kamitz stepped into the picture in 1952 and proved that there is no help like self-help and a good deal of virtue in certain old-fashioned economic remedies. He set the Austrian currency, the schilling, at a realistic exchange rate and pushed through a balanced budget, at the same time squeezing a good deal of inflation out of the national economic system by stern measures of credit restriction. There were wails of protest, caused by a temporary rise in unemployment. But Kamitz, like Erhard in Germany, held firmly to his course and he has been abundantly vindicated by later developments. The low exchange rate of the schilling stimulated exports and the potentially valuable tourist trade. Investments at home were made with more confidence because of the feeling that the schilling had become "hard" money again. Now Austria has full, almost over-full employment, and the index of industrial output has been going up substantially from year to year.

It is not only in the free countries of Europe that capitalism has proved its pragmatic value as a stimulus to revival and progress. The best testimonial to the proposition that, if it did not exist, it would have to be invented is the growing application in communist countries of certain elements of capitalist technique.

I still remember blinking a little in Russia 20 years ago when I read Karl Marx's description of the horrors of the piecework method of payment and then the glorification of this method in Soviet newspapers. One of the casualties of the Soviet drive for high-speed industrialization, along with the kulak and the private trader, was the last vestige of Lenin's original ideal of substanial material equality.

Every conceivable device was used to stimulate individual effort: piecework payment for the workers, bonuses for engineers and industrial managers. As the personal income tax in the Soviet

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Union is very low, with a top rate of 13 per cent, the distribution of salaries and wages shows greater variation than in Western countries. In the collective farm system it was found necessary to leave the peasant at least some "capitalist" incentive in the form of his garden plot and household animals. A silent "cold war" has been going on ever since between the peasants, who wish to devote most of their time and work to these personal possessions, and the state authorities, who want to make them work harder on the collective farm land.

Last summer I found, on visiting Yugoslavia, a communist country politically independent of Moscow, still more acknowledgment of the merits of capitalism, even of the free market system. There, collective farming has been reduced to small proportions because of the bitter resistance of the peasants. And a high state planning official with whom I talked, Mr. Kiro Gligorov, expressed preference for indirect methods of taxation and credit policy over rigid centralized planning orders. Yasha Davicho, an editor of an economic magazine, and a communist since his student days, declared: "We are trying to practice capitalism — but without private capitalists."

When the doctrinaire extreme communism of the Russian civil war years led to famine on a gigantic scale and the Soviet leaders, militarily victorious, saw themselves confronted with complete social and economic collapse, Lenin sounded a retreat to certain elementary capitalist principles in his New Economic Policy.

So, in the countries which deliberately set out to destroy capitalism, as well as in those where it has survived, more or less eroded by socialistic and welfare state encroachments, there is abundant evidence that such features of capitalism as individual incentive, stable currency, monetary discipline, and some use of the free market principle have been found valuable in keeping industrial production going. Capitalism has proved itself a pretty tough old bird, even in an age when it has come in for rough handling.

IN THE last analysis, a thing is not property unless it is owned; and without ownership, there is little incentive to improve it.
HENRY GRADY WEAVER, *The Mainspring of Human Progress*

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High School Economics

Thomas J. Shelly

STUDENT answers to questions concerning business practices, government controls, labor relations, and other aspects of human affairs ought to indicate what they have been taught about economics. Here are the results of a recent poll of 1,443 students in 13 high schools in a typical industrial community:

56% said owners get too much compared with employees.

56% favored price controls over competition.

77% believed that, in many industries, one or two companies are so large as to constitute virtual monopolies.

71% thought a worker should not produce all that he can.

66% said that the most practical way for workers to raise their living standards was to "get more of the company's money"; only 34 per cent chose the answer: produce more.

54% believed that "the fairest kind of economic system is one that takes from each according to his ability and gives to each according to his needs."

56% when asked, "Which has done most to improve living standards in this country?" chose organized labor; 16 per cent said "business management"; 14 per cent, "government"; 14 per cent admitted they didn't know.

76% said that owners, not workers, get most of the increased output due to new machinery.

The survey showed that many of the economic opinions of these high school students were socialistic, egalitarian, and quite unrealistic. Apparently most of the students had not been impressively exposed to the ideas of free enterprise or the results it has shown.

That teen-agers give socialistic answers to questions of economics is an indication of serious neglect of homework — by their parents, that is.

Another interpretation of the

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results of the survey might be that the boys and girls, having nothing else to go by, were influenced by their teacher's opinions — that their answers reflected indoctrination. Undoubtedly, that sort of thing sometimes happens in our educational institutions, whether done deliberately or simply through the teacher's own lack of economic understanding.

A further reason why so many high school students know so many wrong answers to economic problems may lie in the poor quality of the textbooks that teachers must use. Evidence to that effect is revealed in an experiment by the Foundation for Economic Education.

During the 1954-1955 school year, the Foundation offered to send the following books, on request, to high school principals and teachers:

- *Understanding Our Free Economy,* a textbook by Fairchild and Shelly
- *Economics in One Lesson* by Henry Hazlitt, and *Study Guide* by Thomas J. Shelly
- *Essays on Liberty,* a collection of treatises published by the Foundation, and *Study Guide* by Thomas J. Shelly

The Fairchild-Shelly text carries its own study questions at the end of each chapter. The other books were supplemented with study guides designed to help the teacher present the ideas. All these books approach the subject of economics in the tradition of competitive private enterprise.

Altogether, 5,079 principals and teachers requested 6,232 copies of the books offered. After several months, the recipients were asked their opinions of the books and what use they were making of them. More than a third of them have replied to date. Of the first 1,300 replies only 14 were negative; those teachers did not like the books. All the others responded more or less enthusiastically.

In some cases, where the principals or teachers were able to do so, the books are being used as classroom texts; this practice is not extensive because the selection of textbooks is often the prerogative of state, county, or district high school boards. But, in practically every case the teachers are recommending the books for collateral reading.

It should be remembered that economics as a separate discipline is not generally included in high school curricula; it is usually merged with other subjects in a course called "social studies." Hence, books on economics must come into study by the side door, so to speak.

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This experiment reveals no general prejudice among high school teachers against the free economy; a number of the letters point rather to an unfamiliarity with it, and to an interest in finding out more about it. It is true that the most widely used textbooks, to which the teachers were exposed in their college days, stress egalitarian ideas and the need of government intervention. But it is not true that all teachers have fully accepted these ideas or the ideology of which they form a part. The minds of a large number of them are open. They are willing to learn. Their greatest need is for more and better tools — a body of literature explaining the superiority of the free market over other so-called economic systems.

Democracy

The second definition, rather than contradicting the first, appears only to acknowledge that democracy is now with us.

U. S. Army Definition, 1928:

Democracy. A government of the masses. Authority derived through mass meeting or any other forms of "direct" expression. Results in mobocracy. Attitude toward property is communistic — negating property rights. Attitude toward law is that the will of the majority shall regulate, whether it be based upon deliberation or governed by passion, prejudice, and impulse, without restraint or regard to consequences. Results in demagogism, license, agitation, discontent, anarchy.

United States Army *Training Manual*, No. 2000-25, 1928, p. 91

U. S. Army Definition, 1952:

Meaning of Democracy. Because the United States is a democracy, the *majority of the people* decide how our government will be organized and run — and that includes the Army, Navy, and Air Force. The people do this by electing *representatives*, and these men and women then carry out the wishes of the people.

The Soldier's Guide, Department of the Army Field Manual, FM 21-13, June 1952, p. 69

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The Longer We Live

Allen W. Rucker

THE DIFFICULTY of satisfying immediate needs during our working lives leaves many of us with little time to think of the economic challenge of retirement. But the challenge stands.

Just now the senior citizens of the United States number more than 12.5 million; population experts tell us that by 1975 our number will be 21 million. If that number of us oldsters then expect an average yearly income equivalent to the present per capita figure—about $2200—our total claim would exceed $46 billion, an amount greater than current annual expenditures for national defense.

But our senior citizens are not, and will never be, the sole claimants to our production of food, clothing, housing, and other economic goods. Today, there are about 44 million dependent children in the United States. Should present high birth rates continue to 1975, we then would have approximately 75 million youngsters under 15 years of age.

So, there stands the challenge. Simultaneously rising longevity and birth rates mean that for some time to come the proportion of dependents in our population will be rising. Our working population, especially those between the most productive ages of 20 and 50, will not begin to grow in proportion to total population for at least another decade, if then.

We must remember that all the people who will go to work in the next 20 years have already been born. Also, there is constant pressure to reduce working hours per person. In other words, we face at least 10 and perhaps 20 or more years in which productive man-hours, relative to total population, will be definitely below past experience.

That forces our attention toward increasing the other great factor of production—the quality and quantity of tools or capital—at a faster rate than the 3 per cent annual average of the past 40 years. The more far-sighted industrial leaders see the problem. But far too few industrialists and far too few other citizens are yet

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aware of the tremendous need for accelerated capital investment to meet the economic challenge of a population loaded with youngsters and oldsters.

Here is a field of interest and personal endeavor in which our citizens, especially our senior citizens, may well enter — even if only to show, demonstrate, and educate young and old alike to the imperative need for ever-greater capital accumulation in industry. The amount of, and the ease with which we can obtain the food, the housing, the clothing, and the amenities of life for our later years will depend upon a sharp acceleration of the growth of tools of production.

I have high confidence that we shall attain the production increases needed, especially if we seniors will use some of our time in cultivating a local and national political climate that will encourage individual saving and stimulate new investment and risk-taking.

But, granting that we can accelerate the increase in annual output, how shall it be distributed among our senior citizens? In an economy in which the necessaries of living come to us in exchange for money, how can we assure adequate incomes to all senior citizens?

Now this is a problem which historically most of us have tackled individually. During our working years we are accustomed to earning income from personal effort, thus assuring ourselves of a continuing supply of goods and services that make up our scale of living. Many of us, if not most, have also foreseen the day when our personal earnings would diminish; we have therefore set aside or saved for our retirement. Our savings consist of life insurance, stocks and bonds, income-producing real estate, contributions to pension funds, and so on. Those voluntary accumulations of individual savings have largely found their way into capital for productive tools and facilities. In brief, the thrifty people of our nation have voluntarily provided the means of expanding our national output — thereby providing themselves an income for their old age.

As I see it, the problem of distributing tomorrow's production so as to provide for us senior citizens is chiefly a problem of how much how many of us save today. We need vastly to enlarge the number of voluntary savers among those who are working now, thus affording them a means of future self-support. Thereby,

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we tend to assure the capital growth that will provide the new and better tools of production we need tomorrow, and also to assure a widely diffused flow of income to those who will retire and semi-retire in the coming years. This is the time-honored voluntary system of the American republic.

I think that it can not be replaced by a compulsory distribution of income without loss of individual dignity and independence, and perhaps the ultimate destruction of personal liberty. Whatever the merits of the federal social security program, its basic moral defect is that it is compulsory and not voluntary. Its basic economic defect is that the payroll tax which finances it in part does not represent savings and capital accumulation. It contributes nothing to expanding the tools and equipment of industry and agriculture so imperatively needed to expand output for the future. Its basic political defect is yet to be exposed; it consists in taxing the working population to support those who no longer can work — and when that burden reaches the $50 billion a year total, or more, we shall see a tragic political cleavage, youth arrayed against age, son against father, and daughter against mother. Those three defects — moral, economic, and political — may well undermine this republic which we here now think we have bequeathed to our children and our grandchildren.

If we are to pass on to our descendants that heritage which we received from our forefathers, we senior citizens must take a firm stand in behalf of our traditional liberal ideas. These ideas of saving and thrift, independence and personal dignity are not exactly new, but they are nonetheless genuinely liberal. Their antithesis, the concept of state compulsion, is neither new nor liberal. Liberality does not consist of making free with other people's money and freedom. Our senior citizens had best not retire from the eternal task of preserving the American heritage.

I WANT TO pinpoint this opportunity and challenge. Many of us already know at firsthand what it means to live on a "fixed income." So long as the inflationary expansion of our currency continues, it means that those living on fixed incomes are inevitably condemned to a steadily declining scale of living. Let me repeat that — we are condemned to live on less and less each succeeding year. And also let me give you the reason in nontechnical language.

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The reason why we have inflation is that the supply of money is subject to political rather than economic regulation. Both major political parties are openly committed to the theory of a "steadily expanding money supply." This policy, otherwise known as deficit spending, enables the federal government to claim goods produced and saved by individuals. In short, inflation is a method of taxing away the value of private savings.

The practice of this monetary "miracle" in the United States means that the increasing productivity of the American system is not for those on fixed incomes, not for the elderly who earn little or no income from wages and salaries. It means an end to the natural tendency of higher productivity to lower costs and prices *relative to incomes* and thereby increase the purchasing power of money. In this way and only in this way can people on fixed incomes buy more each year; only in this way can our huge market among the senior citizens become an expanding market for industrial output. Only in this way could our senior citizens enjoy, along with other Americans, a rising scale of living. The monetary policy of the federal government, of both major political parties, denies them that opportunity.

The aged and the elderly are not only denied an opportunity open to Americans of working age; they are condemned by this "free-wheeling" monetary policy to suffer a continuous reduction in the purchasing power of their dollars.

TO ANY THOUGHTFUL student of monetary history, ancient and modern alike, the deadliest enemy of the man and woman over 65 years of age is paper money under political control. Presently, over 12 million of our citizens are over 65; by 1975, some 21 million will be in that age group. Most of today's senior citizens and those of tomorrow must live off a "fixed income." The deficit-backed dollar condemns them to accept a scale of living that shrinks yearly, compounded, as long as inflation continues.

Let me show you from personal experience: My father, on retirement in 1933, had lifetime savings which he thought ample for a comfortable living throughout his remaining life. But he was wrong. In that year, our government abandoned the gold standard and outlawed private possession of monetary gold. In ten years, each $1000 of Dad's retirement income had shrunk to a purchasing power

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of $747. When he died in 1951, each $1000 of his fixed income was worth less than $500 in terms of living costs. This was his reward for a lifetime of hard work, thrift, and prudence. Today, over 12 million others like him are receiving the same sort of "reward."

Mark this: Our senior citizens will number 21 million in 1975. Sometime between now and then, they will represent the largest block of votes in the nation which can be mustered behind a single, crucial issue — how to avoid or to halt pauperization brought on by a flood of tax receipts disguised as paper money.

In the attempt to avoid or to halt that process, the votes of this politically superpowerful group of elderly citizens will be mustered by some future leader. They will force either a return to a dollar which cannot be "counterfeited" by the government, or, alternatively, they will force such an outpouring of more *fiat* money as a means of raising old age benefits, that well may topple the fiscal pillars of this republic. I do not pretend to know which way we shall vote; I do know that 21 million of us will not submit in perpetuity to a sentence of pauperization from the depreciation in the purchasing power of our fixed incomes.

But either we shall have to stop further inflation of the price level, or we shall have to force an inflation in our fixed incomes, equal to price inflation.

MARK THIS well: it will be one or the other. And do not let any rationalization make you think otherwise. If you are now 45 or 50 years old, you are likely to be among the 21 million of us voting to make one of these two forecasts come true.

Here, I think, may be the greatest challenge of them all to our senior citizens. The problem of expanding output to provide for a rising population of both youth and age is a great one; the problem of so encouraging saving as to diffuse income among the retired citizens of the future is an even greater one. But to me, the task of halting the inflation that well may beggar them in the last years of life is the greatest challenge of them all.

Surely our mature judgment, our experience and our courage offer the hope that we can meet this triple challenge. By thus defending our savings and ourselves we build, at the same time, an impregnable foundation for the lives of those whom we proudly hail — our children and our grandchildren.

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A New Scheme

F. A. Harper

A NEW SCHEME is afoot by which the people of the United States — rich and poor alike — are likely to become trapped into financing national socialism abroad. This is the pattern:

It all starts innocently enough. Private investors here would gladly pour funds into a country like India to provide much-needed venture capital, if only they felt it were safe to do so. But they fear that the Indian government may one day nationalize the enterprise and confiscate their investment. How is this fear to be allayed?

It is proposed that our government enter the deal, ostensibly to lend encouragement to these private ventures abroad. A Washington news report tells us that a plan is "almost ready" for an intergovernmental agreement to compensate our private investors in event of nationalization. The suggestion rides on the excuse that we must outbid Russia for this help to India as a matter of national defense.

Who will compensate whom under this plan? The United States government would pay citizens for their investment losses, and our government would then "settle with New Delhi." Now the simple solution would seem to be for New Delhi to settle with the private investors in the first place, directly. Why set up a useless intermediary? New Delhi could just mail the check to each investor at his address in India, thus compensating him directly for the confiscation. Why should settlement be routed halfway round the world through the maze of Washington bureaucracy?

"But," it will be argued, "suppose the New Delhi government should refuse to pay foreigners for the confiscated property?"

Well, well. Now the secret is out. The nationalizing government may not intend to pay foreigners at all for the wealth it confiscates. If so, their intent would be the same whether or not the United States government acts as guarantor, for it would still be the investment of foreigners.

When the New Delhi government refuses payment — which is the basic assumption behind the proposal — what will happen

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then? First, there will likely be created an international incident between two governments, with one claiming the other owes it what the other refuses to pay. Without our government having entered the deal, it would have been only another case of The House of Borgan or some other private investor making a foolish investment abroad and losing it, each investor standing to gain or lose from his own venture.

The second consequence will be that the United States government will have to tax us all for the funds with which to reimburse the private investors. Why? Because the government is an enterprise of losses rather than one of profits and must always collect the money for any such use in the form of taxes. This tax cost has to be borne by everyone in the United States — both rich and poor.

And so it turns out that the scheme promises more than mere compensation to private investors. That alone is questionable enough. It is difficult to see why our government should redesign the deal this way: "Heads, the investor wins; tails, all United States taxpayers lose." But in addition, the proposal could easily create an international incident at some time in the future, while forcing us all to help pay for socialism abroad.

The Role of the Scholar

AN EXAMINATION of political and economic matters must touch at points upon controversial issues. Within scientific and scholarly circles, controversy is an accepted tool for the refinement of knowledge, and the liveliest differences are welcomed as a part of the process of arriving at truth. The rest of us are quite happy to let the scientists quarrel about matters of which we know nothing; we enjoy the Shakespearean plays no less because of the disputes about their authorship. But political scientists and economists touch sensitive nerves if deeply entrenched ideas are exposed to scrutiny or vested interests feel threatened by change. The role of the scholar is not always understood and, it must be said, not always understood by the scholar himself. Nevertheless, scholarship has played an important part in the strengthening of free institutions, both by refreshing our memories about why and how they came into being and by disclosing the alternatives which men must face if they prefer not to be free.

The President's Review from The Rockefeller Foundation Annual Report, 1954

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The Growth of an Idea

Thousands of FREEMAN *readers have had little opportunity to learn about the journal's publisher—the Foundation for Economic Education. So this month, in the space usually reserved for Charles Wolfe's report of current "News From Irvington," the folks at FEE will try to present a clear over-all picture of what they believe and what they do.*

EVERYBODY says he's in favor of freedom. Even the leaders of communist Russia claim to be the only real defenders of *true* human freedom. Peace and freedom are their favorite words, just as the same words are used constantly by our own leaders. Yet, freedom of choice in the daily lives of the people is strait-jacketed in both the United States and Russia, and peace describes a period of armed truce between major wars.

Why? Apparently it's because we don't know what freedom is. We don't understand the fact that small-scale compulsions within nations tend to grow into large-scale violence among nations. The person who desires to impose his will and viewpoint upon his neighbors in small ways "for their own good" is well on his way toward imposing his ideas upon all people in large ways, "for the good of mankind."

This is not a new problem. Many civilizations in the past have perished because they didn't understand the proper relationships of man to his fellow men and were thus unable to stop conflicts between persons and nations.

Search for Solution

Throughout history, persons in groups or alone have devoted their efforts to the search for a solution to this problem of the proper relationships among persons—and the part that should be played by the authority and force of government. Yet, few of the answers are generally known. If they were, conflict between persons and groups would soon become a minor problem.

There have been, and still are, many persons and groups in the United States devoting their full efforts to a study of this problem of freedom — the problem of individuality within society. Some specialize in one area of it, such as freedom of speech or freedom of the press or some other fraction of freedom.

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Economic Education

In March of 1946, another such group was formed. It was called the Foundation for Economic Education because its founders then believed that the problem was simply a lack of understanding and appreciation of the infinite possibilities for peace and prosperity to be found in voluntary exchange in the market place. That's why the solution was thought to be in economic education. But to many persons, the word *economic* is too narrowly concerned with material considerations to cover the gamut of human actions and reactions involved in the study of freedom.

The founder and president of the Foundation for Economic Education, Leonard E. Read, now believes that a more accurate and descriptive name for this organization would be the Foundation for the Study of Freedom. The purpose of the Foundation — the study of freedom — involves every contact of man with his fellow men. It demands inquiry into the nature and function of government and religion, and other factors which influence not only the economic behavior but also the whole life of man. Freedom is indivisible, and any effort to fragmentize it may be misleading, if not disastrous.

A key idea in the concept of this Foundation is that the "mass education and mass opinion," about which there is so much concern, must follow the understanding which grows out of deeper study in the form of clear and simplified explanations. This basic research and a resulting literature are precisely what have been lacking. In one sense, it is something like the automobile; its mass ownership and use was attained only after the careful work of inventors and engineers and manufacturers made it possible. Almost anyone can now own and operate a machine about which he knows very little — except how to enjoy its use.

An All-Important Problem

Mr. Read and his associates do not in any sense claim that their studies and writings have revealed all the answers. They are well aware that in their lifetimes they can at best only scratch the surface of this perplexing and all-important subject. They propose only to continue an uncompromising search for truth and to make the results available in printed form to whoever wants them.

Since they are persuaded by their study and research that right and wrong cannot be determined by a show of hands, they

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do not and will not advocate basing such decisions upon the vote of the majority.

Since government ownership of the means of production is wrong in their judgment, they do not and will not advocate some "proper percentage" of government ownership.

Since they believe that a man's religious faith, or the earning of his livelihood, or the management of his business, is his own personal responsibility, they do not and will not try to be "practical" or "politically expedient" by urging some measure of governmental aid or intervention in these matters.

Consistent Means

They will always attempt to suggest means which are consistent with, rather than in contradiction of, those objectives which seem to them proper. They deal only in principles which, if correct, are eternal and timeless and independent of the particular stage of advancement of any given society. They leave compromise for those who believe that there may be a long-term advantage in a temporary deviation from what one believes to be right.

Many sincere friends of the Foundation have suggested that FEE's work would be more effective if it accepted and worked with political action as it exists in practice. They have suggested, for example, that FEE should endorse the "moderate" or "limited number" approach to the issue of government housing rather than to continue FEE's "extreme and politically inexpedient" position of no government housing.

Under no circumstances will the Foundation for Economic Education ever adopt or endorse such a puerile philosophy of "compromise." Does anyone suggest, for example, that German moralists should have concentrated their efforts on "the politically attainable goal" of influencing Hitler to use a more "humane and Christian" method of exterminating Jews" rather than concentrating their efforts on "the politically inexpedient" idea that Jews should not be exterminated at all?

Grounds for Repudiation

If FEE ever compromises in this area of principle — whether it concerns housing, wheat, electricity, or human life — its present and future potentialities for good will be ended. If the Foundation ever begins to operate on the low level of political expediency, it should be — and doubtless will be — repudiated by all persons of good will.

The Foundation for Economic

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Education makes no pretense of "presenting both sides" of the socialist question. The staff members are opposed to socialism — call it governmental intervention, fascism, communism, the welfare state, common ownership for the good of all the people, or whatever. Since they are convinced that socialism is evil, they themselves would necessarily become evil by their own standards if they repeated the fallacies and clichés offered by the socialists in defense of their position.

We're Only Human

The Foundation would no more think of deliberately sponsoring socialist thought than would a minister think of sharing his pulpit with the devil in order that "the people may have the advantage of hearing both sides of the issue." There is no moral obligation—and there should be no legal obligation — upon any person to advance, present, or sponsor ideas which he considers false or evil. This, of course, doesn't mean that FEE is always right and hasn't made mistakes. Since we're only human, we've naturally made our full share of mistakes in both policy and ideas! But when our readers point them out to us — as they frequently do — we admit them and continue our search for more understanding and better explanations.

The Location

The Foundation for Economic Education is housed in a rambling old country home at Irvington-on-Hudson, New York — about 20 miles north of New York City.

The Staff

The Foundation staff is headed by Leonard E. Read, who had spent many years in Chamber of Commerce work and had served as executive vice-president of the National Industrial Conference Board. Among those assisting him are Drs. F. A. Harper and W. M. Curtiss, former professors of marketing at Cornell University; Dr. Ludwig von Mises, famed Austrian economist whose time is divided between the Foundation and his professorship at New York University; Dr. Paul Poirot, former business economist; Dr. Ivan Bierly, former businessman and professor; Thomas Shelly, veteran teacher of history and economics in high school; Miss Bettina Bien, with experience in foreign trade and editorial work; Frank Chodorov, well-known author and editor; Charles Hull Wolfe, former creative executive with a leading advertising agency; and Reverend Edmund A. Opitz, an ordained

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minister who has studied widely in economic and political science. The Foundation is further staffed by persons skilled in the handling of publications, mailings, library research, records and accounts, secretarial work, and other tasks vital to its operation. There are 50 full-time employees.

Needless to say, the Foundation staff has grown and there have been changes in personnel since 1946. Such change is not unusual, particularly within a group in search more of freedom and its opportunities than security and its betrayals. To help individuals discover their potentialities and then to release them to new and greater opportunities in industry, journalism, teaching, and other occupations is considered an important function of the Foundation.

The Trustees

The 37-man Board of Trustees is now headed by B. E. Hutchinson, former vice-president and chairman, Finance Committee, Chrysler Corporation. The Trustees are drawn from all sections of the nation. They are mostly leaders in industrial and academic work, with one or more representatives from the publishing and communication fields.

While the Trustees advise on general policies of operation, they do not sit as an editorial board. A list of Trustees is available.

Publications

The primary objective and leading activity of the Foundation is the compilation and publication of a literature on freedom — by current writers as well as the classical authorities.

During its early years of operation, FEE published well over 200 items on the problems and philosophy of freedom, ranging from single sheets to books. Single copies of each item were sent to any person who had asked to be on FEE's mailing list. A descriptive list of publications is available.

The literature of freedom carries an appeal to almost every age and interest. A sample of the scope and quality of FEE's work is well presented in two volumes of *Essays On Liberty* — collections in book form of previously published shorter articles.

The Freeman

The publication program of FEE was somewhat modified in mid-1954 with the acquisition of THE FREEMAN, a libertarian journal of opinion. Through 1955, this journal under Frank Chodorov's editorial guidance was circulated

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on a subscription basis to an independent mailing list.

After 18 months, a decision was reached to use THE FREEMAN as the major carrier of FEE releases. This 64-page, digest-size monthly journal is now offered on a *controlled circulation* basis to anyone who wants it, the expectation being that most readers also will want to help pay for it. The first $5.00 of each annual contribution to FEE is regarded as payment for THE FREEMAN.

Contributions that exceed the cost of the literature received by donors enable the Foundation to offer its publications on request and without charge to students, teachers, ministers, and others who may wish them. Members of the Foundation staff believe that such friendly cooperation with educators and leaders of thought is essential to the success of their project — that a vital step toward better understanding is to gain the respect and active interest of thoughtful persons in educational centers.

Editorial Services

Early in 1956, FEE plans a new service, offering editorial analyses of current issues from the free-market viewpoint to company publications, weekly newspapers, and radio and TV stations.

Speakers

In addition to its publication program, the Foundation carries on many other activities. For example, while FEE is not a "speakers' bureau," the various staff members do fill many speaking engagements, lectures, conferences, and such. In any one year, there may be a hundred or more of these, involving extensive traveling all over the United States and into Canada and Mexico. These personal contacts serve to fulfill the demand and need for verbal presentation of the ideas on freedom. They also introduce FEE and its staff to an ever-widening audience and to ideas, questions, and issues most in need of consideration.

Schools and Colleges

A Foundation project of high importance is its work with students in colleges and high schools. Much care and effort is devoted to their letters. THE FREEMAN and other Foundation publications are offered without charge to students. In the spring of 1956, about 3,500 had requested and were receiving these materials. Quite a thorough job is done in assembling information on the yearly debate questions for both high schools and colleges; and a packet of appropriate Foundation and other litera-

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ture, as well as an extensive bibliography, are offered on request. Each year hundreds of requests are filled, and the number increases steadily. Inquiry about debate packets may be addressed to Miss Bettina Bien.

Study Guides

The Foundation also offers study guides and bibliographies for the literature on freedom — published by FEE or otherwise. The main purpose of this project is to adapt several of the Foundation's releases to classroom use, though these study guides are also widely used by adult discussion groups. Some teachers—especially in high schools—have found these aids most helpful. In line with Foundation policy, this service is offered only on request by the teacher. For further information about study aids, write to Mr. T. J. Shelly.

Correspondence

Each Foundation staff member carries on a large and ever-growing personal correspondence. The staff members feel strongly that much of FEE's most effective work is done through careful consideration and response to specific questions asked by interested individuals. This highly desirable form of imparting ideas has an added advantage: The staff members learn at least as much as they teach.

College-Business Program

A nationally publicized service offered by the Foundation is its College-Business Fellowship Program. This is designed to encourage business firms to offer summer fellowships to college professors. The professors are enabled to spend six weeks observing and participating in the problems and policies of the business firm. While the business firms pay the professors' basic expenses, the fellowships are not intended to be "summer jobs." They are offered to qualified professors who are willing to make some sacrifice to increase their knowledge and their teaching ability. Each year fellowships are arranged for more than 100 professors from almost as many different colleges and universities. Some business firms offer several fellowships each year. This is a most popular and ever-expanding project. The Foundation *does not* award the fellowships. It only serves as co-ordinator between professors and businessmen who are interested in working together. The current "announcement" of this program and its details is available on request.

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Summer Seminars

Beginning in 1956, the Foundation plans to conduct three 2-week seminars each year — in June, July, and August — at Foundation headquarters in Irvington-on-Hudson, New York. Following daily lectures by distinguished libertarians, participants take part in informal discussions with members of the Foundation staff. These seminars are open to college teachers. Write to Dr. W. M. Curtiss for further information about college-business fellowships or summer seminars.

The Foundation for Economic Education tries to fill every request for the foregoing and other services, while at the same time it must finance its plant and expanding operations. As previously stated, anyone who indicates a sincere interest may, on request, be added to FEE's mailing list for a copy of each new release and the announcements of its various programs. Obviously these things cost money. Where does it come from?

Finances

The method of obtaining financial support to carry on the work of the Foundation is highly unique. Individuals and organizations send annual donations on a strictly voluntary basis. These contributions are tax-exempt because of the educational nature of FEE's work. The Foundation uses no pressure tactics and has no solicitor on the road to collect its funds. This is in sharp contrast with the common practice of spending much of an organization's time, effort, and expense in collecting its operating funds. FEE is thus able to use nearly all of the donated money directly in the work for which it was intended — research and education in the problems and ideals of human liberty.

Though the Foundation has no reserve of endowed funds, they are invited nonetheless.

The Foundation's nearest approach to solicitation is an occasional reminder to those on the mailing list:

1. That $5.00 a year covers the cost of a monthly copy of THE FREEMAN.
2. That costs of other Foundation activities and projects have averaged an additional $10.00 a year for each person on FEE's mailing list.
3. That any expansion, and indeed, the continuation of FEE's efforts to supply publications to the thousands of teachers, students, clergymen, and others who request and use our material but find it difficult to help FEE financially, rests with those indi-

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viduals, corporations, and trusts that can and will contribute from $20 to $10,000 annually.

Ungrounded Fear

A few persons worry that certain "big money" may dominate the Foundation's finances and thus influence its work. Actually FEE receives no single contribution that amounts to as much as three per cent of the total annual budget. The Foundation is free to do its work according to the best judgments of the individual staff members. Their own consciences, not the influence of any concentrated support, guide their work. This, they feel, is important to the kind of job that needs doing.

If the publications and other works of the Foundation are unacceptable to any donor, large or small, he is free to discontinue his support. That is the way it should be. And not infrequently, FEE pays that price of discontinued support. That is the way it should tently honest in its work. Fortunately, the financial arrangement is such that no one donor is empowered to kill any project or to cripple seriously the Foundation's work through the power of his contribution alone.

Ideas Welcomed

It is important to add that everyone's ideas are always welcome, even if they differ from those expressed in a publication, and whether or not that person is a donor, large or small.

Perhaps above all else, the Foundation is noteworthy for its policy of living according to the theories it propounds — a voluntary society of independent, responsible persons. Individual responsibility and voluntary participation are about the only policies of operation it has. Its mailing list, its donations, its every phase of operation are based on the willingness of the participants and the rejection of the authoritarian approach.

Samples of publications or other information desired may be obtained by writing directly to the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

IF, TO PLEASE the people, we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and honest can repair. The event is in the hand of God.

Attributed to GEORGE WASHINGTON during the Constitutional Convention

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Facts about

The "Industrial Revolution"

Ludwig von Mises

An examination of the so-called horrors of the "Industrial Revolution" and the persistent myth that industrial progress is a plot against employees.

SOCIALIST and interventionist authors assert that the history of modern industrialism and especially the history of the British "Industrial Revolution" provide an empirical verification of the "realistic" or "institutional" doctrine and utterly explode the "abstract" dogmatism of the economists.*

The economists flatly deny that labor unions and government pro-labor legislation can and did lastingly benefit the whole class of wage earners and raise their standard of living. But the facts, say the anti-economists, have refuted these fallacies. As they see it, the statesmen and legislators who enacted the factory acts displayed a better insight into reality than the economists; while laissez-faire philosophy allegedly taught that the sufferings of the toiling masses are unavoidable, the common sense of laymen succeeded in quelling the worst excesses of profit-seeking business. The improvement in the conditions of the workers, they say, is entirely an achievement of governments and labor unions.

Such are the ideas permeating most of the historical studies dealing with the evolution of modern industrialism. The authors begin by sketching an idyllic image of conditions as they prevailed on the eve of the "Industrial Revolution." At that time, they tell us, things were, by and large, satisfactory. The peasants were happy.

*The attribution of the phrase "the Industrial Revolution" to the reigns of the two last Hanoverian Georges was the outcome of deliberate attempts to melodramatize economic history in order to fit it into the Procrustean Marxian schemes. The transition from medieval methods of production to those of the free enterprise system was a long process that started centuries before 1760 and, even in England, was not finished in 1830. Yet, it is true that England's industrial development was considerably accelerated in the second half of the eighteenth century. It is therefore permissible to use the term "Industrial Revolution" in the examination of the emotional connotations with which Fabianism, Marxism, the Historial School, and Institutionalism have loaded it.

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So also were the industrial workers under the domestic system. They worked in their own cottages and enjoyed a certain economic independence since they owned a garden plot and their tools. But then "the Industrial Revolution fell like a war or a plague" on these people.* The factory system reduced the free worker to virtual slavery; it lowered his standard of living to the level of bare subsistence; in cramming women and children into the mills it destroyed family life and sapped the very foundations of society, morality, and public health. A small minority of ruthless exploiters had cleverly succeeded in imposing their yoke upon the immense majority.

THE TRUTH is that economic conditions were highly unsatisfactory on the eve of the Industrial Revolution. The traditional social system was not elastic enough to provide for the needs of a rapidly increasing population. Neither farming nor the guilds had any use for the additional hands. Business was imbued with the inherited spirit of privilege and exclusive monopoly; its institutional foundations were licenses and the grant of a patent of monopoly; its philosophy was restriction and the prohibition of competition both domestic and foreign. The number of people for whom there was no room left in the rigid system of paternalism and government tutelage of business grew rapidly. They were virtually outcasts. The apathetic majority of these wretched people lived from the crumbs that fell from the tables of the established castes. In the harvest season they earned a trifle by occasional help on farms; for the rest they depended upon private charity and communal poor relief. Thousands of the most vigorous youths of these strata were pressed into the service of the Royal Army and Navy; many of them were killed or maimed in action; many more perished ingloriously from the hardships of the barbarous discipline, from tropical diseases, or from syphillis.* Other thousands, the boldest and most ruthless of their class, infested the country as vagabonds, beggars, tramps, robbers, and prostitutes. The authorities did not know of any means to cope with these individuals other than the poorhouse and the workhouse.

*J. L. Hammond and Barbara Hammond, *The Skilled Labourer* 1760-1832 (2d ed. London, 1920), p. 4.

*In the Seven Years' War 1,512 British seamen were killed in battle while 133,708 died of disease or were missing. Cf. W. L. Dorn, *Competition for Empire* 1740-1763 (New York, 1940), p. 114.

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The support the government gave to the popular resentment against the introduction of new inventions and labor-saving devices made things quite hopeless.

The factory system developed in a continuous struggle against innumerable obstacles. It had to fight popular prejudice, old established customs, legally binding rules and regulations, the animosity of the authorities, the vested interests of privileged groups, the envy of the guilds. The capital equipment of the individual firms was insufficient, the provision of credit extremely difficult and costly. Technological and commercial experience was lacking. Most factory owners failed; comparatively few succeeded. Profits were sometimes considerable, but so were losses. It took many decades until the common practice of reinvesting the greater part of profits earned accumulated adequate capital for the conduct of affairs on a broader scale.

THAT THE factories could thrive in spite of all these hindrances was due to two reasons. First there were the teachings of the new social philosophy expounded by economists, who demolished the prestige of mercantilism, paternalism, and restrictionism. They exploded the superstitious belief that labor-saving devices and processes cause unemployment and reduce all people to poverty and decay. The laissez-faire economists were the pioneers of the unprecedented technological achievements of the last two hundred years.

Then there was another factor that weakened the opposition to innovations. The factories freed the authorities and the ruling landed aristocracy from an embarrassing problem that had grown too large for them. They provided sustenance for the masses of paupers. They emptied the poor houses, the workhouses, and the prisons. They converted starving beggars into self-supporting breadwinners.

The factory owners did not have the power to compel anybody to take a factory job. They could only hire people who were ready to work for the wages offered to them. Low as these wage rates were, they were nonetheless much more than these paupers could earn in any other field open to them. It is a distortion of facts to say that the factories carried off the housewives from the nurseries and the kitchens and the children from their play. These women had nothing to cook with and to feed their children. These children were destitute and starving. Their

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only refuge was the factory. It saved them, in the strict sense of the term, from death by starvation.

IT IS DEPLORABLE that such conditions existed. But if one wants to blame those responsible, one must not blame the factory owners who — driven by selfishness, of course, and not by "altruism"— did all they could to eradicate the evils. What had caused these evils was the economic order of the pre-capitalistic era, the order of the "good old days."

In the first decades of the Industrial Revolution the standard of living of the factory workers was shockingly bad when compared with contemporary conditions of the upper classes and with the present conditions of the industrial masses. Hours of work were long, the sanitary conditions in the workshops deplorable. The individual's capacity to work was used up rapidly. But the fact remains that for the surplus population which the enclosure movement had reduced to dire wretchedness and for which there was literally no room left in the frame of the prevailing system of production, work in the factories was salvation. These people thronged into the plants for no reason other than the urge to improve their standard of living.

The laissez-faire ideology and its offshoot, the "Industrial Revolution," blasted the ideological and institutional barriers to progress and welfare. They demolished the social order in which a constantly increasing number of people were doomed to abject need and destitution. The processing trades of earlier ages had almost exclusively catered to the wants of the well-to-do. Their expansion was limited by the amount of luxuries the wealthier strata of the population could afford. Those not engaged in the production of primary commodities could earn a living only as far as the upper classes were disposed to utilize their skill and services. But now a different principle came into operation. The factory system inaugurated a new mode of marketing as well as of production. Its characteristic feature was that the manufactures were not designed for the consumption of a few well-to-do only, but for the consumption of those who had hitherto played but a negligible role as consumers. Cheap things for the many, was the objective of the factory system. The classical factory of the early days of the Industrial Revolution was the cotton mill. Now, the cotton

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goods it turned out were not something the rich were asking for. These wealthy people clung to silk, linen, and cambric.

Whenever the factory with its methods of mass production by means of power-driven machines invaded a new branch of production, it started with the production of cheap goods for the broad masses. The factories turned to the production of more refined and therefore more expensive goods only at a later stage, when the unprecedented improvement in the masses' standard of living which they caused made it profitable to apply the methods of mass production also to these better articles. Thus, for instance, the factory-made shoe was for many years bought only by the "proletarians" while the wealthier consumers continued to patronize the custom shoemakers. The much talked about sweatshops did not produce clothes for the rich, but for people in modest circumstances. The fashionable ladies and gentlemen preferred and still do prefer custom-made frocks and suits.

THE OUTSTANDING fact about the Industrial Revolution is that it opened an age of mass production for the needs of the masses. The wage earners are no longer people toiling merely for other people's well-being. They themselves are the main consumers of the products the factories turn out. Big business depends upon mass consumption. There is, in present-day America, not a single branch of big business that would not cater to the needs of the masses. The very principle of capitalist entrepreneurship is to provide for the common man. In his capacity as consumer the common man is the sovereign whose buying or abstention from buying decides the fate of entrepreneurial activities. There is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for.

Blinded by their prejudices, many historians and writers have entirely failed to recognize this fundamental fact. As they see it, wage earners toil for the benefit of other people. They never raise the question who these "other" people are.

Mr. and Mrs. Hammond tell us that the workers were happier in 1760 than they were in 1830.* This is an arbitrary value judgment. There is no means of comparing and measuring the happiness of different people and of the

*J. L. Hammond and Barbara Hammond, *loc. cit.*

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same people at different times. We may agree for the sake of argument that an individual who was born in 1740 was happier in 1760 than in 1830. But let us not forget that in 1770 (according to the estimate of Arthur Young) England had 8.5 million inhabitants, while in 1831 (according to the census) the figure was 16 million.* This conspicuous increase was mainly conditioned by the Industrial Revolution. With regard to these additional Englishmen the assertion of the eminent historians can only be approved by those who endorse the melancholy verses of Sophocles: "Not to be born is, beyond all question, the best; but when a man has once seen the light of day, this is next best, that speedily he should return to that place whence he came."

The early industrialists were for the most part men who had their origin in the same social strata from which their workers came. They lived very modestly, spent only a fraction of their earnings for their households, and put the rest back into the business. But as the entrepreneurs grew richer, the sons of successful businessmen began to intrude into the circles of the ruling class. The highborn gentlemen envied the wealth of the parvenus and resented their sympathies with the reform movement. They hit back by investigating the material and moral conditions of the factory hands and enacting factory legislation.

THE HISTORY of capitalism in Great Britain as well as in all other capitalist countries is a record of an unceasing tendency toward the improvement in the wage earners' standard of living. This evolution coincided with the development of prolabor legislation and the spread of labor unionism on the one hand and with the increase in the marginal productivity of labor on the other hand. The economists assert that the improvement in the workers' material conditions is due to the increase in the per capita quota of capital invested and the technological achievements which the employment of this additional capital brought about. As far as labor legislation and union pressure did not exceed the limits of what the workers would have got without them as a necessary consequence of the acceleration of capital accumulation as compared with population, they were superfluous. As far as they exceeded these limits, they were harmful to the interests of the masses. They delayed the

*F. C. Dietz, *An Economic History of England* (New York, 1942), pp. 279 and 322.

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accumulation of capital, thus slowing down the tendency toward a rise in the marginal productivity of labor and in wage rates. They conferred privileges on some groups of wage earners at the expense of other groups. They created mass unemployment and decreased the amount of products available for the workers in their capacity as consumers.

The apologists of government interference with business and of labor unionism ascribe all the improvements in the conditions of the workers to the actions of governments and unions. Except for them, they contend, the workers' standard of living would be no higher today than it was in the early years of the factory system.

It is obvious that this controversy cannot be settled by appeal to historical experience. With regard to the establishment of the facts there is no disagreement between the two groups. Their antagonism concerns the interpretation of events, and this interpretation must be guided by the theory chosen. The epistemological and logical considerations which determine the correctness or incorrectness of a theory are logically and temporarily antecedent to the elucidation of the historical problem involved. The historical facts as such neither prove nor disprove any theory. They need to be interpreted in the light of theoretical insight.

Most of the authors who wrote the history of the conditions of labor under capitalism were ignorant of economics and boasted of this ignorance. However, this contempt for sound economic reasoning did not mean that they approached the topic of their studies without prepossession and without bias in favor of any theory. They were guided by the popular fallacies concerning governmental omnipotence and the alleged blessings of labor unionism. It is beyond question that the Webbs as well as Lujo Brentano and a host of minor authors were at the very start of their studies imbued with a fanatical dislike of the market economy and an enthusiastic endorsement of the doctrines of socialism and interventionism. They were certainly honest and sincere in their convictions and tried to do their best. Their candor and probity exonerates them as individuals; it does not exonerate them as historians. However pure the intentions of a historian may be, there is no excuse for his recourse to fallacious doctrines. The first duty of a historian is to examine with the utmost care all the doctrines to which he resorts in dealing with the subject matter of

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his work. If he neglects to do this and naively espouses the garbled and confused ideas of popular opinion, he is not a historian but an apologist and propagandist.

THE ANTAGONISM between the two opposite points of view is not merely a historical problem. It refers no less to the most burning problems of the present day. It is the matter of controversy in what is called in present-day America the problem of industrial relations.

Let us stress one aspect of the matter only. Vast areas — Eastern Asia, the East Indies, Southern and Southeastern Europe, Latin America — are only superficially affected by modern capitalism. Conditions in these countries by and large do not differ from those of England on the eve of the "Industrial Revolution." There are millions and millions of people for whom there is no secure place left in the traditional economic setting. The fate of these wretched masses can be improved only by industrialization. What they need most is entrepreneurs and capitalists. As their own foolish policies have deprived these nations of the further enjoyment of the assistance imported foreign capital hitherto gave them, they must embark upon domestic capital accumulation. They must go through all the stages through which the evolution of Western industrialism had to pass. They must start with comparatively low wage rates and long hours of work. But, deluded by the doctrines prevailing in present-day Western Europe and North America, their statesmen think that they can proceed in a different way. They encourage labor-union pressure and alleged prolabor legislation. Their interventionist radicalism nips in the bud all attempts to create domestic industries. These men do not comprehend that industrialization cannot begin with the adoption of the precepts of the International Labor Office and the principles of the American Congress of Industrial Organizations. Their stubborn dogmatism spells the doom of the Indian and Chinese coolies, the Mexican peons, and millions of other peoples, desperately struggling on the verge of starvation.

This article is reprinted from pages 613-619 of *Human Action*, New Haven, Yale University Press, 1949.

For further analysis of the Industrial Revolution see "Economic Myths of Early Capitalism" by F. A. Hayek. Single copies available on request to the Foundation.

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A REVIEWER'S NOTEBOOK

John Chamberlain

MORRIS L. ERNST, the well-known civil liberties lawyer, has written a bland and sunny-tempered book in *Utopia: 1976* (305 pp., New York: Rinehart, $3.50). A "glandular optimist," as he describes himself, Mr. Ernst looks forward to 20 years of practically unmitigated progress in material invention, economic expansion, and the productive and re-creative uses of leisure.

Inasmuch as I am a glandular optimist myself, I agree fully with many of Mr. Ernst's predictions. It seems to me, as it does to Mr. Ernst, that the days of total wars are over: the H-bomb makes total war impracticable, and even communist commissars have a prejudice in favor of living. I am also just as certain as Mr. Ernst that individualism is in for its greatest days. Automation, far from producing monotony and conformity, must release human energies for a thousand and one creative tasks. The "do it yourself" craze, for all its occasional silliness, is merely one bit of evidence that people have not been conditioned by the rhythm of modern factory experience to a life of brainless and repetitive motion in a vacuum.

Where I would part company with Mr. Ernst is on the subject of political economy. Mr. Ernst is a curious amalgam of opposites in his theory of the uses of state action to promote human well-being. His assumption is that the State can be trusted with the power to do a hundred things (for which you and I must pay the bills), yet can be kept from abusing that power by an enlightened electorate that will always be somehow agreed on the precise nature of the "thus far and no farther" signs.

Mr. Ernst is against federal domination of education, yet he would make the State responsible for supplying grants, on the GI Bill of Rights model, to anyone who can qualify as college material. He argues that grants made directly to students who are left free to choose any college they want cannot lead to federal domination of the college curriculum. This has a certain specious plau-

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sibility. But on close inspection it will hardy stand up. Would any college that had come to rely on a steady stream of federally financed students be apt to employ teachers who were against the progressive income tax, or who believed in the tenets of radical individualism in general? One has only to ask such questions to know the answers.

MR. ERNST'S most curious obsession is with the idea that economic Bigness is an evil in itself. This leads him to predict that Bigness will be on the way out in 1976. In line with his obsession, Mr. Ernst foresees a world in which companies will be prevented by law from making a variety of products. General Motors will be driven out of the refrigerator field; the Grace steamship line will not be permitted to manufacture fertilizers, or to run airlines, or to make plastics. Mr. Ernst thinks this sort of constraint will foster competition, keep prices down, and make for a nation of happy consumers.

Just where Mr. Ernst ever got this idea that a diversification of products within a company makes for monopoly is completely mystifying to me. His notion has no basis in fact: indeed, it is diversification — the idea that a qualified manufacturer can make anything within the scope of his resources and general competence — that has saved America from going the way of the cartel system of Europe. A company committed to one product, whether it is automobiles or razor blades, is bound to become stuck with a saturated market at some point in its career. It is at this point that a company usually goes looking for protective trade agreements, for treaties with its competitors to allocate spheres of influence, to set up quotas, and to maintain prices.

If Mr. Ernst ever manages to pass a general law whose wording would make it illegal for General Motors to engage in the refrigerator business, his law would force a thousand lesser companies to discontinue their researches into new lines of endeavor. The resulting stagnation would force an almost universal defiance of the Sherman Anti-trust Act.

To illustrate: there are certain companies which, historically, have been in the business of making railroad equipment. Take the Safety Car Co. or the American Brake Shoe Co. for examples. Mr. Ernst would force these companies by law to stick to their lasts. In other words, he would condemn them to failure, for the railroad equipment market isn't what it used to be. Under the fluid Ameri-

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can system, however, these companies have reached out to diversify. They have saved their stockholders, but more importantly they have also resisted the impulse to seek safety in cartel practices.

WHEN diversification in America began, it was usually a question of a chemical company like Du Pont going into more chemicals. But this was back in the dark ages of diversification. Today a company like General Mills of Minneapolis is criss-crossing the ancient lines in a way that would give Mr. Ernst apoplexy. The company, as its name would indicate, continues to grind wheat into flour. But it has a mechanical division that works on such utterly unrelated things as precision gearing, optics, and complicated electronic systems. And, a most recent development, General Mills has developed an automation machine — the "autofabber" — which can be used to make different kinds of electronic components, depending on how the gauges are set. A General Mills that is thus armed for adventure in a score of directions is much less likely to seek to combine with other flour companies to protect itself against a collapse in the market for bread or for cake mixes.

General Mills is only one among scores of companies that make Aaron Burr's ancient combination of a bank and a water company, often cited as the pinnacle of incongruity, look like the progenitor of modern America. There are lots of other companies going the General Mills way. The Rockwell Manufacturing Company of Pittsburgh makes gas meters, "do it yourself" power tools, fare registers, valves, and electrical conduit fittings. General Tire and Rubber of Akron is in plastics, supersonics, and rocket motors, and it also owns radio and television networks. The curiously named Minnesota Mining and Manufacturing Company, originally a sandpaper manufacturer, sells Scotch tape and chemicals, color television tape, and "reflectorized" yarns. Curtiss-Wright, known as a maker of piston and turboprop engines for airplanes, has also gone into the plastics business in order to have an assured income, come a cessation of the Cold War.

Olin-Mathieson, a firearms producer and shell manufacturer, now makes paper, cellophane, and caustic soda. The Adam Hat Company is going in for soda pop. Clevite of Cleveland, once an automobile parts company, is in electronics. The H. K. Porter Company of Pittsburgh, not so long ago a losing proposition in switching loco-

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motives, now makes fire brick, steel, rubber goods, and various electric devices.

There are scores of other combinations and "conglomerates," ranging from Thompson Products to Textron American. Elgin Watch, once dependent on the tariff for protection against the competition of Swiss products, is branching out into electronic components, which might conceivably turn it into a free trade outfit if the electronic field becomes sufficiently profitable.

Diversification naturally has its dangers, for any widespread dilution of effort must create problems of control at the center. Companies frequently go into diversification on a hit or miss basis. There have been so many examples of foolish diversification that alert management consultants such as the William E. Hill Company of New York are now doing a thriving business advising on the "planned approach" to variety. The Hill Company criterion is simple: you grow into those fields that enable you to make good use of the inventive talent and the sales organization which you already have. And the reason for diversification must be clearly posed and stated: you must know whether you are doing it as a means of growth, or to offset cyclical troubles, or to get a good tax-loss carry-forward, or to lessen dependence on saturated markets in declining lines.

THE FACTS about diversification need not be multiplied, for everybody knows something about the trend. But the impact of the facts, as Mr. Ernst's curious prediction for 1976 shows, is hardly understood at all. What Mr. Ernst cannot see is that a general crisscrossing of the lines of economic endeavor must make the effort of inter-company collusion a totally exhausting one. Cartels can't thrive when dozens of companies are in the business of poaching on everyone else. Chemical companies in Europe have been able to divide up spheres of influence, but what chance would American Cyanamid and Allied Chemical and Dye have of sewing up things in the nitrogen field when a score of American oil companies are going into nitrogen products on their own? And how could General Electric and Westinghouse make a deal on electronics when forty smaller concerns are successfully invading parts of their preserve?

With everyone poaching on his neighbor's territory, diversification promises completely to rewrite the book of practical economics. Mr. Ernst should know

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there isn't much sense in looking for the type of monopolistic advantage that puts a company at the mercy of the Department of Justice when it is much simpler to get off the hook of saturation by going into other things on one's own.

* * *

The Faith That Built America, by Lee Vrooman. New York: Arrowhead Books, Inc. 193 pp. $3.50.

If all who are troubled by the confused issues and complex problems of today would go back and study the beginnings, the roots of America's greatness, it might mean a revolution of private morals and public virtue. We have missed the great opportunity of sharing more fully with all newcomers to our shores the ideas that dominated the minds of the pioneers, the American faith which overcame all difficulties: the principles of self-government, religious toleration, temperance, and

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virtue, based on the belief in God.

We might learn from the colonial leaders how to deal with the moral and the materialistic trends of our times. We often forget that the poverty of the early settlers, the hardships of the frontier, the lack of churches and schools, left their mark on the second and third generations.

The spirit with which the early settlers faced their difficulties found embodiment in some great documents: the Mayflower Compact, the Articles of Confederation, the Declaration of Independence and the Constitution, Franklin's "Almanac," Bradford's "History," Cotton Mather's "Essays To Do Good," Roger Williams' and Lord Baltimore's theories of religious toleration, Penn's speeches to the Indians, and many others. Lee Vrooman has gone through a lot of this early material and culled the most significant excerpts for us.

There is instruction and inspiration in this book, and many choice bits of Americana. We learn, for instance, that God and man had Yale trouble in colonial days too! Yale once expelled its highest ranking student because he preached to the Indians!

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WELL WORTH READING

Along the Paperback Front: The Henry Regnery Company of Chicago has a line of paperbacks bearing the label, Gateway Editions. Among other items, it contains a modern translation of Machiavelli's "The Prince." This sixteenth century work remains a classic statement of the nature of stark political power; political power *per se*, stripped of the religious, moral, and social considerations which sometimes soften it. Machiavelli's stance in this book is that of an adviser to one of the petty tyrants of his time. Politics, from this perspective, is the art of obtaining, extending, and perpetuating power; and it is judged by no other standard than its success in this endeavor. The prince is above the law, and beyond morality — except as he can cynically use morality to make his subjects properly submissive. It is redundant to speak of power politics; there is no other kind.

It is good for libertarians to be familiar with Machiavelli's book, for the political power he writes about is the force they are trying to harness and confine. Like fire, it may be a good servant; but it is a fearful master.

* * *

Rise and Fall: It seemed natural a century ago to speak of the progress of mankind onward and upward forever. Not so today. "Worlds which have risen in heroism lie down in fatigue," writes Jacques Maritain, "for new heroisms and new suffering come in their turn and bring the dawn of a new day." It has happened before in man's checkered history; it seems to be happening now.

In *The Revolutions of Civilization*, Sir Flinders Petrie tells us that "civilization is an intermittent phenomenon." He outlines eight cycles of civilization in Egypt's long history, and finds five parallel cycles in the history of Europe. This fascinating volume was first published in 1911, but it hadn't been easily available for some time when the Foundation for the Study of Cycles reprinted it in 1951, complete with 57 illustrations. There are about 30 copies left at $1.00 each. Write to the Foundation for the Study of Cycles, 680 West End Ave., New York 25, N. Y.

Petrie's book is number 23 on Gerald Heard's list of 30 "breakthrough" books; books which present the new outlook in the several fields of thought, the natural world, human nature, history, and the goal of life. Drop a card to THE FREEMAN for a free copy of this list.

* * *

The Bricker Amendment: Leading the effort to alert Americans to the dangers of "treaty law" is the prominent lawyer, Frank E. Holman, a past president of the American Bar Association. He has just issued a 28-page pamphlet summarizing achievements to date and bearing the title, 1956 — *The Year of Victory*. Mr. Holman will send single copies free to individuals who write him at the Hoge Building, Seattle 4, Washington; better yet, order from The Argus Press, 71 Columbia St., Seattle 4, at 11¢ per copy for 100 or more.

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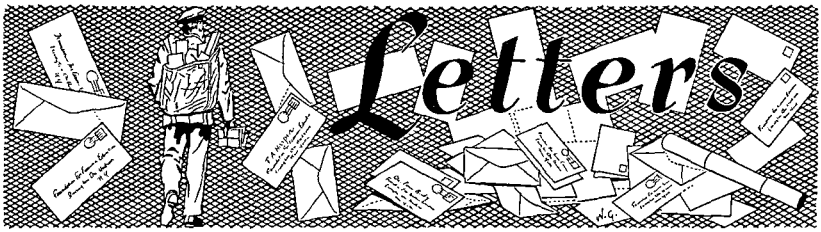

Private Education For All

EDUCATION should be viewed from the standpoint of the individual and thus it becomes the responsibility of the parents and not the responsibility of the State.

It is recognized that it is the duty of the parents to feed the child's stomach. Consistency demands that it is also the duty of the parents to feed the child's mind.

As education is the duty of the parents and is for the benefit of the individual, efforts should be concentrated on ways and means of removing the State from the field of education and returning it to the people.

If education is returned to the people, they will organize their own private schools just as they organize their own private businesses — without the aid of the State. The cardinal principle of private enterprise is that the customer is always right and in accordance with that principle thousands of businesses have arisen to meet the perverse whims and needs of the customer. With schools returned to the field of private enterprise that same cardinal principle will be foremost. Thousands of schools will arise, adapted to satisfy the varying needs of the millions desiring education — schools for the handicapped, schools for the slow, schools for the gifted, schools that grant diplomas, schools that grant no diplomas in the belief that education is never finished, schools with curriculums as varied as the needs of those in them.

The principles of free private enterprise built America. Those same worth-while principles which have worked so well in creating our society will work equally well in producing the finest schools in the world; for the competition of the schools endeavoring to serve the demands of its customers, the children, will force the schools to hire the best, which means not good but excellent salaries. Competition will necessitate that the buildings and equipment be up to the minute in order to attract pu-

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pils, and the schools will have to run efficiently in order to keep costs down.

The mass of the people are well able to pay for private schooling. They are now paying for the schooling their children are receiving. They will pay for it if the schools are privately organized, and they will be aided as they are today if their parents cannot pay for their living expenses. Private grants of charities, foundations, businesses, and just plain people interested in seeing the children acquire the opportunity to study will take care of this problem efficiently and with as little embarrassment as possible.

Education in a society based on the fundamental principles of free enterprise should be in accord with those principles and should itself be a living example of the virility, efficiency, and morality of free enterprise. O. B. JOHANNSEN

From *The Wall Street Journal*, Dec. 8, 1955.

Why is it not possible for some Americans to live according to their consciences in the U.S.? Is the U. N. a road to war? . . . Must labor unions coerce? . . . Is the income tax unconstitutional? . . . Is social security immoral? Does social justice mean social sameness?

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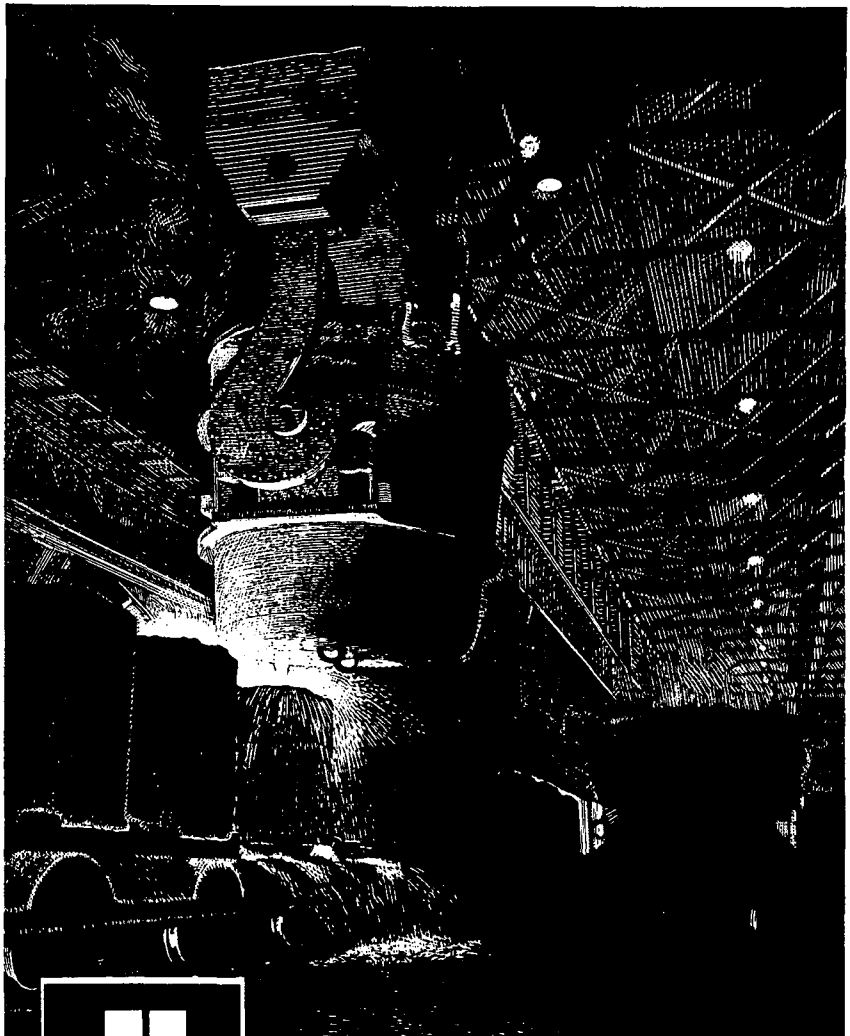

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